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Arafat Says Syria Helps PLO Rebels Seize Loyalist Base

Compiled by Our Staff From Dispatches

BEIRUT — Yasser Arafat sent urgent messages Tuesday to heads of state in Arab and nonaligned countries, accusing Syrian troops of attacking Palestinian forces loyal to him and calling for international support in his attempt to end a six-week-old PLO mutiny.

The Palestinian news agency WAFA said that Mr. Arafat had also sent a special message to Syria's president, Hafez al-Assad, concerning the "serious change of stand" by Syrian forces.

Earlier, a spokesman for Mr. Arafat said that Syrian tanks and soldiers had enabled dissident guerrillas to seize the main military base in the Bekaa Valley held by Arafat loyalists.

The statement by the spokesman said that rebels from Mr. Arafat's el-Fatah organization had taken over the village of Majd al-Anjar on Monday night. The Fatah rebels were joined by guerrillas in a radical PLO group, the Popular Front for the Liberation of Palestine-General Command, he said.

In a dispatch from the northern Lebanese city of Tripoli, where Mr. Arafat spent Tuesday, WAFA said that the Palestine Liberation Organization leader had sent urgent messages to the heads of state of Algeria, Saudi Arabia, North and South Yemen, Tunisia, Abu Dhabi, Morocco, Kuwait and Iraq as well as the Arab League secretary-general, Chadli Klibi.

He sent similar messages to the leaders of Yugoslavia, Cuba, Ethiopia and Cyprus, and to Prime Minister Indira Gandhi of India in her capacity as current chairman of the Nonaligned Movement," the agency reported.

"Arafat called for their good efforts to help terminate the current crisis between the Palestinian revolution and Syria," WAFA reported. Mr. Arafat was quoted as saying that Syrian troops in the Bekaa Valley "have participated with the dissident group in attacking Fatah positions and arrested a number of Fatah officers and cadres."

It said that Mr. Arafat's message to Mr. Assad concerned the behavior of Syrian troops in the Bekaa Valley, which it said constituted "a serious change in the stand of these forces" in regard to the dissident group.

A senior Arafat aide, Salah Khalaf, also known as Abu Iyad, arrived in Moscow on Tuesday on his second visit in a month and was expected to urge Soviet leaders to intervene with Mr. Assad to end the crisis.

In his statement earlier, the Arafat spokesman charged that the Bekaa Valley battle had begun when rebels opened fire from Syrian positions.

"To our surprise, they then advanced with a number of Syrian tanks towards our positions in Majd al-Anjar, these tanks firing on our positions," he said. "Our men were careful not to return the tank fire so as not to give the opportunity for a clash with Syrian forces. But the tanks continued to shell us and advance on Majd al-Anjar, together with the armed men, and took control of the area and the village."

One PLO official in Damascus sympathetic to the rebels said, "The fighting was fierce and all kinds of weapons were used, including artillery and mortars." He said the battle for Majd al-Anjar lasted four hours.

Officials from both factions said that the rebels had won control of a 10-mile (16-kilometer) section of the Beirut-Damascus highway and set up a checkpoint. A spokesman for the rebels said their forces "attacked and cleaned up the positions" of Mr. Arafat's men, prompting some to defect while others retreated.

Radio and police reports in Lebanon, meanwhile, said there was new fighting in Tripoli. Police indicated that at least 10 persons had been killed or wounded.

United Press International

Leaders of Chile's copper miners arriving at a courthouse to hear charges against them.

Pinochet Allows Political Leader To Return to Chile From Exile

By Juan de Onis
International Herald Tribune

SANTIAGO — The military government, in a major concession to the political opposition, authorized Tuesday the return from exile of Andres Zaldivar, president of the Christian Democratic Party, and other non-Marxist political dissidents.

The announcement by the Ministry of Interior allowing the return of Mr. Zaldivar, who has lived in exile in Madrid for nearly two years, came as the government faced a call by a broad labor front for a national strike starting Thursday for the release of arrested labor leaders.

The leaders include Rodolfo Sequel, president of the Copper Miners' Union, and six other members of the union directorate who spearheaded a national day of protest June 14 against the regime of President Augusto Pinochet. Mr. Sequel was indicted Monday on charges of conspiring to destabilize or overthrow the government by organizing demonstrations.

Police on Tuesday arrested Adolfo Quinteros, the leader of the Chilean truck owners' confederation, one of the groups that called for an indefinite general strike, confederation sources said, according to Reuters.

The strike called for Thursday has the support of an important association of bus and taxi drivers. A transportation stoppage in this city of four million would make the strike effective and visible.

The strike call came from the National Labor Command, comprising leaders of the 22,000-member Copper Workers' Union, four other labor federations claiming to speak for 200,000 workers and the 70,000-member National Council of Ground Transport.

The National Labor Command said the strike was in response to the repression by the government after the national day of protest here, in which four persons were killed. General Pinochet declared the protest movement subversive and Chile's security police began arresting the organizers last Friday. Many of those held are members of the Communist Party.

Labor experts said the strike call probably would not bring out enough of the three million jobholders in Chile to have much of an effect on the economy. They said it appeared to be aimed at maintaining the momentum of a two-month-old protest movement for a return to democracy.

Workers from dozens of unions planned to join the open-ended strike, set to start just after midnight Thursday. Among them were longshoremen, civil servants, textile workers and thousands of copper miners, whose own five-day strike began to fizzle Monday after more than 3,300 miners were fired for participating.

The protest would be the first time since General Pinochet seized power 10 years ago that Chile's laborers united in a general strike.

"This is an all-out fight to recover our democracy," said Hernol Flores, president of the Public Employees Union. "More than 80 percent of the people do not support the government any more. The only thing left for us to do is to ask for a change in government."

The authorization for the return of Mr. Zaldivar and other moderate dissidents indicated that the government was hoping to divide the political opposition. The Christian Democrats, who were Chile's largest single party before the military seized power in 1973, are prepared to negotiate on political and labor reforms with the regime. The Communist Party seeks only to overthrow General Pinochet.

General Pinochet has in the past rejected any recognition of political parties, which were outlawed in 1974. He insists on completing his presidential term, which extends until 1989 under a constitution adopted by plebiscite in 1980.

Pope, Back in Krakow, Gets Huge Welcome

Walesa Talks With Pontiff Set Thursday

Compiled by Our Staff From Dispatches

KRAKOW, Poland — Pope John Paul II returned to his former diocese Tuesday in an emotional homecoming that sparked new Solidarity demonstrations.

The Vatican had issued a statement earlier in the day warning against reading political motives into the pope's visit.

But as John Paul's motorcade passed down the streets of Krakow on Tuesday evening, groups of well-wishers chanted the name of the outlawed Solidarity independent trade union.

Gdansk contingent follows pope to Poznan by rail. Page 2.

In another development, it was disclosed Tuesday that Lech Walesa, head of the outlawed Solidarity union, had been granted a three-day leave to allow him to meet with the pope here Thursday.

Mr. Walesa, who works as an electrician at the Lenin shipyard in Gdansk, where Solidarity was founded in August 1980, at one point had been denied time off to meet with the pope. But the government announced Friday it would allow a meeting.

A spokesman for Mr. Walesa, Jozef Borowczak, said by telephone from Mr. Walesa's apartment: "At work, Walesa was handed a letter signed by the shipyard manager saying he had been granted Tuesday, Wednesday and Thursday off to be able to meet the pope."

As the pope was flown by helicopter into Krakow, where he was ordained a Roman Catholic priest in 1946 and was archbishop for 15 years, he received a tumultuous welcome from hundreds of thousands of Poles who lined the ancient capital's streets to see him.

They chanted "Long live the pope!" and scattered flowers in his path. The crowd also chanted Mr. Walesa's name.

A police contingent of several dozen strung across the street made no move to interfere, and the marchers flowed around the line's sides. By contrast, authorities had moved quickly to intercept a pro-Solidarity march of several hundred after a papal Mass in the southwest city of Wroclaw earlier Tuesday.

In Wroclaw, several hundred young people were reported by The Associated Press to have marched through the city center, where they were intercepted by riot police backed by a water cannon.

A line of police vehicles reportedly spilled riot troops in front of the marchers as a helicopter circled overhead broadcasting orders to "go home peacefully."

Meanwhile, three Western journalists and a translator were detained in Wroclaw for more than two hours by the police, one of the journalists said.

Stephen Aris of The Sunday Times of London said that he was detained along with two other journalists and the translator. They were taken to a police station, where their documents were checked. They then were said to have been released with apologies.

The pope planned to spend Wednesday and much of Thursday in Krakow, where until October 1978 he was Cardinal Karol Joseph Wojtyla.

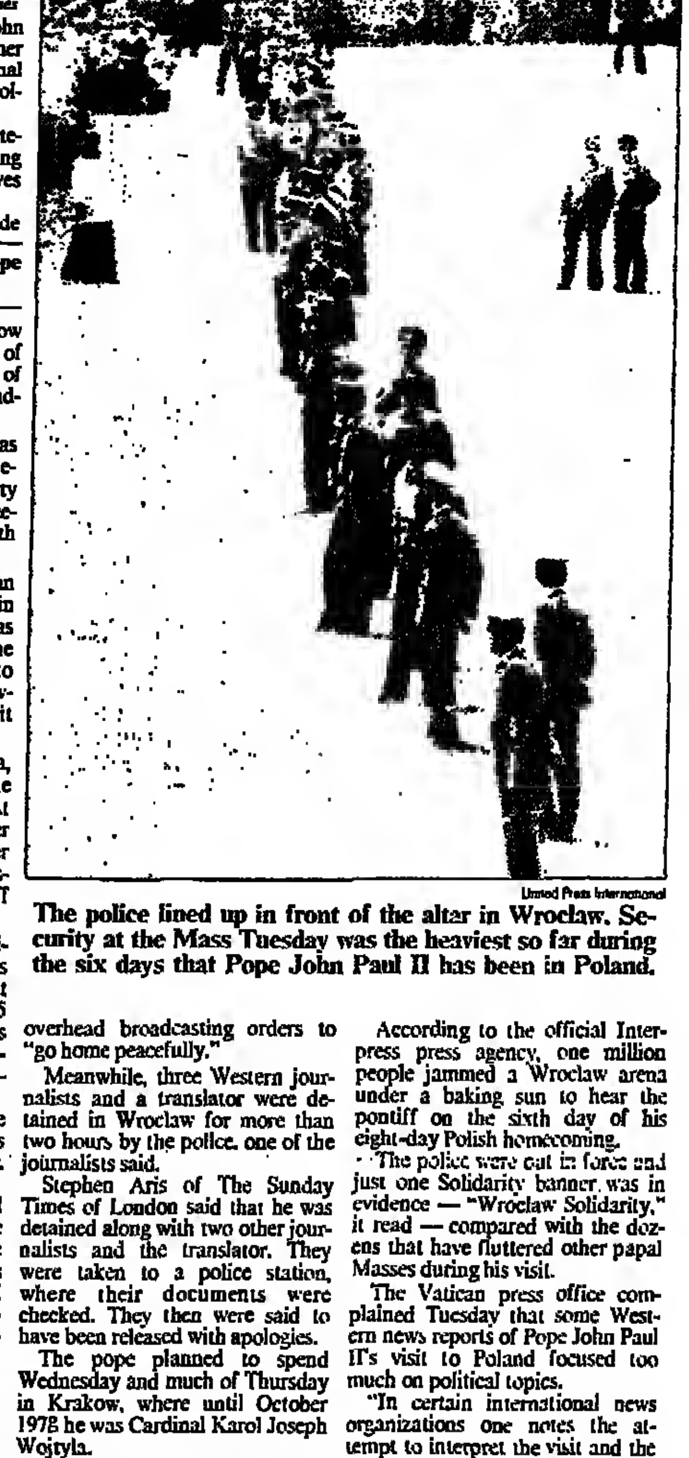
In his sermon at a Mass in Wroclaw, the pope said: "I would like to preserve this just hunger and thirst of the great multitudes of my compatriots from all that would distort and weaken it. This cannot be destroyed or suppressed."

According to the official Interpress press agency, one million people jammed a Wroclaw arena under a baking sun to hear the pontiff on the sixth day of his eight-day Polish homecoming.

The police were out in force and just one Solidarity banner was in evidence — "Wroclaw Solidarity," it read — compared with the dozens that have fluttered other papal Masses during his visit.

The Vatican press office complained Tuesday that some Western news reports of Pope John Paul II's visit to Poland focused too much on political topics.

"In certain international news organizations one notes the attempt to interpret the visit and the words of the pope on the base of content of an intended political character," the pope's chief spokesman, the Rev. Romeo Panciroli, said in a statement. "Nothing can be more contrary to the intentions of the Holy Father."



United Press International

The police lined up in front of the altar in Wroclaw. Security at the Mass Tuesday was the heaviest so far during the six days that Pope John Paul II has been in Poland.

Ending Debate, Reagan Approves High-Technology Sales to China

By Hobart Rowen
Washington Post Service

WASHINGTON — President Ronald Reagan has decided to allow China to buy American computers and other so-called "dual purpose" high-technology equipment, ruling in favor of a proposal by Commerce Secretary Malcolm Baldrige and against Defense Secretary Caspar W. Weinberger and ending a bitter two-year controversy within his administration.

"Dual purpose" technology is computer, telecommunications and other equipment that, although designed for civilian use, might be used or converted for military applications.

[The White House and State Department were preparing Tuesday to announce Mr. Reagan's decision officially, United Press International reported from Washington.]

The president's decision was conveyed to Mr. Baldrige less than a month ago in a telephone conversation between the secretary and White House officials. Mr. Baldrige was in Tokyo and was on his way to Peking on an official visit.

Nonetheless, officials close to the argument warned "you can expect that there will still be heel-dragging at the Department of Defense."

At Mr. Baldrige's urging, China will be placed in export-controls category "V", which bars the shipment of specific military items but allows manufacturers to presume that other shipments will be approved. The "V" category applies to friendly nations, including several in NATO and others who are not allies.

At the moment, China is in a special "P" category, just one step above enemy nations. Because of this status, although the Reagan administration policy theoretically has been designed to liberalize technology transfers, the result has been to hold up most high-technology exports to China.

American manufacturers, as well as the Chinese, have been frustrated by what appears to be the indecision of export-control authorities, caught between the desire of the Commerce Department to see business go forward and the Defense Department's reluctance to apply any but the strictest interpretation of the rules.

Mr. Baldrige, sources said, called key White House staff members from Tokyo and said he felt he had to have an "up or down" decision from the president before meeting with Chinese officials. Reportedly, the White House felt that rejecting the Chinese on the export issue, while Peking was showing anxiety over U.S. connections with Taiwan, might strain the Washington-Peking relationship beyond repair.

Christopher Phillips, chairman of the National Council for U.S.-China Trade, hailed reports of the presidential decision. "We think this is a very significant policy decision that will have a major impact on the two-way trade," Mr. Phillips said.

He reported that on a recent trip to China, officials had told him that the two areas of deepest concern to them were the failure of the United States to make good on its promises of greater high-technology exports, and suspicion that the United States would sell arms to Taiwan.

High Commerce Department officials said that the new policy would be in place by the end of next month, with specific exports under it on the way by early September, and that it could increase U.S. exports to China by $1 billion to $2 billion a year. Much of this would be in computers, semiconductor manufacturing equipment and telecommunications, they said.

Sources said that the issue had been debated at the cabinet level from the start of the Reagan administration. In recent discussions, Mr. Baldrige has been joined by Secretary of State George P. Shultz and the White House science adviser, George A. Keyworth 2d.

Mr. Weinberger's position has been a restatement of traditional Defense Department reticence to approve the export of any equipment, if there is the slightest possibility it could be converted to military or nuclear applications.

According to those familiar with the debate, Mr. Baldrige and others have argued that China has an absolute need to modernize its industry, and that the technology it seeks from the United States is readily available for sale by Japan, European nations and even the Soviet Union.

"If we look on China as a friend, it was time to take a risk," said a key figure in the debate.

U.S. Generals Oppose Role in Latin Combat

By Drew Middleton
New York Times Service

NEW YORK — With unusual unanimity, senior U.S. Army generals oppose military intervention in Central America without the clear, unequivocal support of Congress and the public.

The point has been made publicly by General John W. Vessey Jr., chairman of the Joint Chiefs of Staff, and by General Edward C. Meyer, who is to retire soon as army chief of staff.

Reagan warns of "Soviet-Cuban-Nicaraguan axis" taking over Central America. Page 3.

Similar views have been expressed in interviews by Lieutenant General Wallace H. Nutting, former commander of U.S. forces in Central America; General Bernard W. Rogers, supreme commander of North Atlantic Treaty Organization forces; and General William C. Westmoreland, now retired, who was U.S. commander in Vietnam.

These generals — and many others who gave their views but did not want to be identified — saw service in Vietnam, and their attitude reflects that experience. Although today's army, unlike the one that fought in Vietnam, is an all-volunteer force, the generals wonder how long its professionalism would stand up under a barrage of criticism from politicians and repudiation by public opinion.

All the generals see danger in any victory for leftist elements in El Salvador or in the expansion of Nicaraguan military power throughout the region. General Vessey said recently, "We already have too many Soviet-supported Communist governments in this hemisphere, and we don't need any more."

He added that neither he nor the civilian leaders in the Defense Department "advocate introducing United States combat forces to try to implement an American military solution to the problems of Central America."

The generals and other staff officers in the Pentagon do not see the Central American situation as a peculiarly military one. Rather they stress that the region's problems are economic, political and social as well as military.

In El Salvador, they view the military problem as reflecting underlying economic and social strains.

In such situations, the generals say, wholehearted support of the local population for U.S. intervention would be questionable. Some suggested that the appearance of even a single American brigade in El Salvador would push the peasants toward the leftist insurgents, who would call the arrival of the troops an example of Yankee imperialism.

The generals say that any military intervention should be considered only after the administration has identified the political goals and stated the military objectives. At the same time, they say, the public must understand the cost in men, money and time.

General Westmoreland said any congressional resolution supporting intervention, such as the Gulf of Tonkin resolution during Vietnam, should be renewed annually after careful scrutiny of the situation by political and military leaders.

The solution that General Meyer and other generals see is continued intensive training of El Salvador's military forces and a revitalization of its general staff.

They said the 55 advisers assigned to El Salvador were not enough. They suggested that the assignment of 100 more to Honduras to train Salvadorans and Hondurans would give some ground for confidence in the future.

INSIDE

Russia Declares Seriousness on Nuclear Freeze

The Associated Press

MOSCOW — The ambassadors of the United States, Britain, France and China were told Tuesday that the Soviet Union is serious about its call for a global freeze on the testing, development and deployment of nuclear weapons, Tass reported.

The initial details of the meeting at the Foreign Ministry also included a hint that the Soviet Union might be willing to allow on-site inspection but did not say so flatly.

Meanwhile, the foreign minister, Andrei A. Gromyko, said the United States was not prepared for a meeting between Presidents Ronald Reagan and Yuri V. Andropov and said the Kremlin was waiting for signs from Washington that it was ready for talks.

U.S. States Its Terms To Forgo MX Missile

By Michael Getler
Washington Post Service

WASHINGTON — The Reagan administration would be willing to forgo deployment of 100 MX missiles only if the Soviet Union got rid of its 650 largest existing missiles, according to a letter by the U.S. Arms Control and Disarmament Agency director, Kenneth L. Adelman, that was released Tuesday in Congress.

The Senate Foreign Relations Committee chairman, Charles H. Percy, Republican of Illinois, who made public Mr. Adelman's written response to an earlier question by the committee, said it is "the first time the administration had publicly indicated it would consider a 'fair trade' for the MX."

The trade Mr. Adelman proposed, however, was greeted with skepticism by some Democratic and Republican committee members who viewed it as something that the Kremlin would never consider.

"The letter from Adelman is a perfect reflection of the attitude of this administration," said Senator Joseph R. Biden Jr., Democrat of Delaware. "We will give up something if they give up everything."

Senator Paul E. Tsongas, Democrat of Massachusetts, said Mr. Adelman's statement, in combination with another last week before the committee by Secretary of State George P. Shultz, illustrated why people do not believe Mr. Reagan to be sincere about arms control.

Mr. Tsongas pointed out that Mr. Shultz, in a long statement on U.S. policy toward the Kremlin, had said that all strategic weapons "are on the table" in negotiations. But Mr. Adelman's letter, Mr. Tsongas said, makes clear that "MX is not, has never been and will not be a bargaining chip."

Senator William S. Cohen, Republican of Maine, called Mr. Adelman's proposal commendable but impractical, saying "the Soviets have historically rejected radical restructuring of their forces and will reject this one."

Mr. Cohen said there were similar problems with the overall U.S. proposal at the Strategic Arms Reduction Talks in Geneva, which also seeks major cuts in Soviet weapons.

Senator Sam Nunn, Democrat of Georgia, also called the MX trade impractical and related a conversation with an East European diplomat who had told him why the Kremlin did not think much of Mr. Reagan's proposals.

"You have 15 aircraft carriers," the diplomat said, "and we have plans to build an aircraft carrier. We will not build our carrier if you promise to sink the 15 you already have."

Several leading officials, including the president in a letter in January to Representative Jack Kemp, Republican of New York, made clear that the MX was not to be bargained away but was needed to modernize the U.S. land-based missile force.

What is negotiable, the officials have said, is how many MXs the United States will ultimately deploy.

Last week, at a closed committee session, Mr. Adelman was asked whether there were any circumstances in which the United States was prepared to give up the MX.

He answered this way, according to the letter:

"The president has made clear that the scale of the MX deployment will be influenced by Soviet strategic programs and arms reduction agreements. The MX is the U.S. response to a massive buildup of Soviet ICBMs over the last 10 years, and unless the Soviets are prepared to reverse this buildup and forgo their heavy and medium ICBMs, the U.S. will go forward with MX."

Reagan Will Oppose Compromise Reached by Congress on Budget

United Press International

WASHINGTON — President Ronald Reagan, threatening extensive use of his veto power, told Republican congressional leaders Tuesday that he "simply must oppose" the $859-billion 1984 compromise budget agreed on by Senate-House negotiators.

Representative Delbert L. Latta, Republican of Ohio, said Mr. Reagan had told lawmakers the budget agreement, concluded Monday night, was "totally unacceptable, and he'll do everything he possibly can to defeat it."

"I simply must oppose it vigorously," the White House spokesman, Larry M. Speakes, quoted the president as saying. "It doesn't control spending. It raises taxes as recovery gains force and it shortchanges our defense rebuilding."

After the White House meeting, the Senate Republican leader, Howard H. Baker Jr. of Tennessee, said he would reserve judgment on the plan until after a meeting with Republican committee chairmen that was to include a report by Senator Pete V. Domenici of New Mexico on the details and merits of the compromise.

Mr. Baker added that "despite division over the budget resolution, there is strong and growing opposition to any changes in the 10-percent tax cut scheduled for July 1."

■ **Details of Budget**

Earlier, Helen Dewar of The Washington Post reported:

The budget agreed on Monday night, which conference leaders cautiously predicted would pass both houses, calls for higher taxes and more domestic spending, along with less for defense, than Mr. Reagan wants.

It anticipates a deficit of $170 billion to $179 billion for fiscal 1984, depending on how much of an $8.5-billion fund of recession relief is authorized by Congress. According to Mr. Domenici, the Senate Budget Committee chairman, Mr. Reagan's budget would have provided a deficit of about $171 billion under economic assumptions used in the congressional budget, although Mr. Reagan proposed billions of dollars worth of domestic spending cuts that both houses have rejected.

The agreement allows room for a pay increase of 4 percent for military and civilian employees of the government, delayed by three months from October to January. It also envisions a six-month delay in cost-of-living increases for federal pensions, similar to the delay in inflation adjustments approved earlier for Social Security.

While the budget is only a tax and spending blueprint for Congress that does not go to the president

(Continued on Page 2, Col. 6)

Gdansk's Crusaders Follow Pope by Rail

With the City Off Limits for Visit, Excursion Train to Poznan Hired

By John Kifner
New York Times Service

POZNAN, Poland — "He has fulfilled his task completely," said a portly man in a group from Gdansk, basking here in the presence of Pope John Paul II. "He came here and did good."

The Gdansk contingeot. made up of 760 parishioners of St. Stanislaw Kostka Church, stood under a red and white banner. The word Gdansk was written on it in the familiar flowing script that was the signature of the Solidarity trade union along with the Polish flag growing out of the "n."

Gdansk was the birthplace of Solidarity io the Lenin shipyard strike in August 1980, and it is the home of one of the union's founders, Lech Walesa.

Poland's authorities, fearful of trouble, kept the city off the papal trip, so the parishioners of St. Stanislaw rented a special excursion train to join the hundreds of thousand people who welcomed the pontiff Monday on the fifth day of his return to his homeland.

Through their comments, the Gdansk parishioners made it clear that they were pleased at the way the pope's visit bad turned into a political event, filled with his increasingly overt support for Solidarity.

"We are all amazed at what he is saying," a middle-aged woman said, speaking of the manner in which the pope has used phrases that invoke strong feelings of mingled religion and natiooalism among Poles.

"He speaks in such a way that only we, the nation, can understand. He is very courageous."

The parishioners said they were particularly pleased by the pope's confrontation Friday with Poland's ruler, General Wojciech Jaruzelski, broadcast live on national television.

"He was very good," another woman said of the pope, referring to the way he told the general to honor the agreemeots signed with the Gdansk shipyard strikers in August 1980. "It was nice to see."

Other signs poking above the crowd in this northeastern industrial center, most of them also written in the distinctive Solidarity script, identified more groups who had come here from Gdansk and other areas of the coast by car, bus, train and even horse cart.

Viewed from a Polish perspective, the pope's bomily Monday at a huge outdoor Mass in Poznan's Park of Culture was one of the strongest of his trip. It came despite a warniog from the government Sunday that continued demonstrations during his visit could delay the lifting of martial law.

Repeatedly invoking the spirit of Polish nationalism, Pope John Paul spoke of returning to the site of the Castle of Przemyslaw, the half legendary throne of Poland's earliest rulers.

He spoke of Mieszko, who was baptized in 966, bringing what was then the Duchy of Poland into Christianity, and of Mieszko's son, Boleslaw the Valiant, the first of the Piast kings.

"Thus," the pontiff said to a burst of enthusiastic applause, "Polish culture possesses characteristics which are above all Western European."

During the Mass, the pontiff performed a beatificauoo ceremooy, the first step to sainthood, for Mother Ursula Ledchowska, a Polish nun who ran clandestine schools during the 19th century partitioo of Poland to thwart an attempt by the Russians to stamp out the Roman Catholic Church and the Polish language.

During the ceremooy, a group of people were introduced to the pope who were said to have been miraculously healed through the intercession of Mother Ursula with the Virgin Mary.

The people of St. Stanislaw's parish made clear their belief that Mary could intercede with God to perform miracles.

"The Mother of God is going to help us," said a strapping young man in a T-shirt. "The pope will be able to come to Gdansk on his next visit to a free Poland."

United Press International

The pope talked Tuesday with three survivors of a World War II concentration camp during a Mass in Wroclaw.

NATO Rejects Admiral's Stance On Arms Race

Reuters

BRUSSELS — The North Atlantic Treaty Organization disassociated itself Tuesday from statements by a military chief that the West could cut its ouclear arsenal unilaterally without affecting deterrence.

The NATO secretary-general, Joseph Luns, said in a statement that Admiral Robert Falls, chairman of the alliance's Military Committee, had been "commenting in a personal capacity" and was not "making a statement of alliance policy."

Admiral Falls, a Canadian who is to retire from his post as chairman July 1, said in an interview Monday that he had oo doubt that ouclear weapons were the ultimate deterrent.

But he said the arms race had turned into a form of madness, pitting Soviet and Western technology against each another in the search for bigger weapons.

Italy Ties U.K. Rebate To EC Financial Plan

Reuters

LUXEMBOURG — Italy said Tuesday that a 1983 European Community budget rebate for Britain should be granted only after details of future financing of the 10-natioo bloc were agreed upon.

An Italian spokesman said that Renato Ruggiero, Rome's ambassador to the community, had made the point at a meeting of foreign ministers. The ministers began talks on a financial package to keep the community solvent.

André Chandernagor, France's minister for European affairs, agreed with the Italian representative, diplomats said.

A European summit agreed last weekend on a rebate of 750 million European currency units ($660 million) for Britain "in the context of" future financing.

The vagueness of the phrase meant that delegations had interpreted it as they wished. British officials say the rebate is guaranteed.

The ministers also agreed Tuesday to grant Spain and Portugal, whose eventual entry into the Common Market will depend partly on future financing, 175 million ECUs in loans over the next year.

The loans, 100 million ECUs to Spain and 75 millioo ECUs to Portugal, are the same amonnts as the two countries were granted each year over the past two years.

The ministers also approved a 1983 food aid plan for 73 countries. The plan, which still has to be approved by the European Parliament, would give more than 900,000 tons of grain, 150,000 tons of milk powder and 36,500 tons of butter and oil to poor countries.

In a separate decision, Cyprus was granted 44 million ECUs in loans and grants over five years. Malta's request for aid was put off because Britain did not approve of the conditions.

Corsica Bomb Attack Attributed to Rebels

Reuters

CALVI, Corsica — A bomb attack on a villa appears to have ended a brief truce declared by separatists while President François Mitterrand was visiting the island last week, police sources said Tuesday.

No one has claimed responsibility for the blast Monday night that destroyed the villa oear Calvi, in northern Corsica. Police said they believed it was the work of the National Liberation Front of Corsica.

Stonehenge Is Invaded

The Associated Press

SALISBURY, England — An estimated 1,000 people broke into the inner stone circle of Stonehenge Tuesday to mark the first day of summer, the police said. They caused no damage. In receot years the stones have been surrounded by a fence to protect them.

U.S. Feels Pressure For Lebanon Accord Before the End of July

By John M. Goshko
Washington Post Service

WASHINGTON — Unless Syria eases opposition to a withdrawal agreement by the end of July, the administration probably will be unable to prevent Israel from pulling its forces back to new positions in southern Lebanon, according to sources.

Officials here and in Lebanon have expressed concern that an Israeli retrenchment would stiffen Syria's resistance to withdrawal and leave a power vacuum in central Lebanon.

The U.S. campaign to coax Syria toward greater flexibility is tied to the end of July because of the scheduled visits here of Amin Gemayel, the Lebanese president, on July 22 and Prime Minister Menachem Begin of Israel on July 27, the sources said.

Pressure has been growing in Israel for a redeployment of the approximately 20,000 Israeli troops in Lebanon to lessen the risk of casualties from guerrilla ambushes.

Despite Israeli denials that a pullback has been decided, the sources said that David Kimche, director general of the Israeli Foreign Ministry, began to lay the groundwork for such a move in talks here last week.

Mr. Kimche is understood to have said that Israel would give the administratioo more time to try to convince President Hafez al-Assad of Syria to cooperate with the Israeli-Lebanese peace accord worked out by Secretary of State George P. Shultz last month.

Under the agreement, Israel will not pull its troops out of Lebanon unless there is a simultaneous withdrawal by Syrian and Palestine Liberation Organization units.

However, if President Ronald Reagan is unable to show some evidence of Syrian flexibility when he meets Mr. Begin, the sources said they believed Israel would insist it could wait no longer.

Although Mr. Kimche is known to have said that Israel would consult the United States and Lebanon before a military redeployment, officials in both Washington and Beirut say they fear that a unilateral Israeli move would have serious consequences for efforts to end the Lebanon crisis.

The sources said that at a meeting Monday with Mr. Shultz, Wadi Haddad, who is Mr. Gemayel's national security adviser, expressed concern that an Israeli retrenchment would stiffen Syria's resistance to a withdrawal.

That, in turn, would raise the threat of a permanent partition of Lebanon, with the Israelis occupying a security buffer zone in the south and the Syrians and the PLO controlling the eastern part of the country.

That effectively would scuttle the Lebanese-Israeli withdrawal accord and undermine the efforts of the Gemayel government to assert authority over the country. An Israeli pullback also would leave a void of authority in central Lebanon that could lead to further fighting between Moslem and Christian factions.

But while the administration shares these concerns, U.S. officials say there is little they can do to put pressure on Syria in the coming month.

The officials concede that the United States does not have a clear idea of whether Syria is unalterably opposed to a withdrawal agreement or is stalling in bopes of getting more bargaining leverage for concessions from Lebanon and Israel.

There has been increasing speculation that Mr. Shultz, who leaves this week for Asia, will stop in Damascus en route home in early July to meet with Mr. Assad. Some White House officials are understood to believe that efforts to arrange such a trip should be given top priority, even if the results are only symbolic.

However, State Department officials, while not ruling out the possibility, say Mr. Shultz opposes the idea unless there are clear indications in advance that he could accomplish something concrete. These officials also stress that the Syrians have given no sign that they would be willing to deal with Mr. Shultz.

The other principal U.S. option is to try to indnce Saudi Arabia, which gives Syria substantial financial support, to make a strong new effort to intervene with President Assad.

However, in an interview here Monday, Prince Talal, a brother of King Fahd of Saudi Arabia, said his country was already working quietly behind the scenes and was doing "the maximum that is possible" to convince the Syrians to be reasonable.

Overheated Satellite Cooled Off on Shuttle

The Associated Press

CAPE CANAVERAL, Florida — The shuttle commander turned the shuttle Challenger's cargo bay toward the shadows of space Tuesday, cooling down an overheated satellite needed for rendezvous maneuvers on Wednesday.

Midway through the ship's "spectacular flight," crews began landing rehearsals in Florida.

A NASA pilot traced the shuttle's approach path across the state and controllers told the astronauts: "We've got some weather at the Cape today. We think that's a good omen you'll have good weather on Friday."

Before dawn a T-38 jet flew a simulated shuttle landing pattern to help NASA practice forecasting sudden changes in the weather. If landing is not possible Friday, the shuttle could remain in space for two or more days extra, or it could land at Edwards Air Force Base in California.

Tuesday was an unusually quiet day in orbit, with the astronauts preparing for Wednesday's attempt to steer the shuttle to a rendezvous with the West German scientific satellite known as SPAS.

A satellite computer registered a high temperature early Tuesday, and Mission Control directed the crew to shut down the payload experiments and turn the shuttle belly up.

"We're sure it will work okay tomorrow," a ground communicator said.

In the last important test of the mission, the astronauts Sally K. Ride and John M. Fabian are to grasp the 3,300-pound (1,500-kilogram) satellite with the shuttle's robot arm and release it overboard as a free-flying spacecraft on Wednesday.

While it is free, the commander, Robert L. Crippen, and the pilot, Frederick H. Hauck, will practice approaching it in a rehearsal for a satellite retrieval and repair mission planned next year.

The computer apparently overheated while operating in the sunlight of space, where temperatures reach 250 degrees Farenheit (121.12 Celsius). In the darkness, readings drop as low as 215 degrees Farenheit below zero.

Without the computer, the Wednesday exercise would have to be canceled.

Mr. Fabian and Miss Ride, meanwhile, were running samples through a pharmaceutical experiment that could eventually produce new drugs for treating disease. Miss Ride explained how protein is electrically separated from certain substances as they are passed from the bottom to the top of a six-foot tube.

"Of course, up here, I'm not sure which is the top," she said.

The ship was flying upside down at the time, and the ground controller said: "In this case, it's from the top to the bottom."

"Isn't science wonderful," said Miss Ride, a 32-year-old astrophysicist who gave up her own research to conduct experiments for others as an astronaut.

There were a couple of minor equipment problems. Otherwise, Commander Crippen reported, "Everything is going fine up here."

A Warning On Budget

(Continued from Page 1)

dent for signature, Mr. Reagan can veto legislation that is passed to enforce it.

Returning on Air Force One from Jackson, Mississippi, with Mr. Reagan on Monday night, Mr. Speakes criticized the compromise plan. "At first blush, it doesn't look much better than what they had earlier," he said. "It doesn't show a lot of prospect."

Mr. Speakes said the proposed military-spending increase of 5 percent after inflation is "way too low to defend the country." Asked about the proposed new taxes, he said, "The president wants what he proposed. He won't go for new taxes."

Agreement on the budget by Senate Republicans and Democrats from both houses, with House Republicans conspicuous by their absence, followed a weekend of behind-the-scenes talks among the principal negotiators that whittled the remaining issues to a half dozen or so, including Medicare, food stamps and terms of the reserve fund for recession relief. Its major provisions include:

- Tax increases of $73 billion over the next three years, including $12 billion in 1984, $15 billion in 1985 and $46 billion in 1986, all of which would be enacted in legislation this year. This is considerably more than the oominal increases sought by Mr. Reagan for the next two years but in line with the $50 billion in standby tax increases that he wants for 1986.
- A military-spending increase next year of roughly 5 percent after inflation, or half what Mr. Reagan wanted, although the proposed spending-authority level of $268.6 billion provides more than a simple split-the-difference between Senate and House figures. Mr. Reagan's request for oext year would be cut by roughly $12 billion, leaving an increase of $23 billion over anticipated military spending for this year.
- About $15 billion more in domestic spending than Mr. Reagan wants and $8.5 billion as a contingency fund to be allocated for recession relief programs.

The reserve would include funds for a new industrial development bank, health insurance for the unemployed, public works and public service jobs, protection against home and farm foreclosures and an extension of benefits for the long-term unemployed.

WORLD BRIEFS

Iran Communist Reported Dead

LONDON (AP) — Iran's leading Communist, Nureddin Kianuri, 75, has been executed in Tehran's Evin Prison, according to unconfirmed reports from the Iranian capital, the Daily Telegraph reported Tuesday.

The Daily Telegraph said the execution of Mr. Kianuri, who was secretary-general of the outlawed Tudeh Party, was believed to have taken place Monday. The Daily Telegraph said there had been no official confirmation of the report but that it was not unusual in Iran for several days to elapse between an execution and its announcement.

The newspaper said that Mr. Kianuri had been in prison since his arrest last February and that at the end of April he was shown in a television interview confessing to having spied for the Soviet Union. His friends believe that he had been tortured into his confession. The newspaper also reported that most of the party's Central Committee are in prison.

China Ties A-Cuts to Superpowers

BEIJING (AP) — The Foreign Ministry declared for the first time Tuesday that China would reduce its nuclear weapons if the Soviet Union and United States first reduced their arsenals by 50 percent.

The spokesman, Qi Huaiyuan, said: "If the two nuclear superpowers take the lead in stopping the testing, improvement and production of nuclear weapons and reduce by 50 percent all types of their nuclear weapons and means of delivery, the Chinese government will be willing to undertake, through negotiations, corresponding obligations for nuclear disarmament together with all other nuclear states."

He made the statement at his weekly news briefing in response to a question about a recent Soviet proposal to freeze nuclear weapons. It was China's first and most explicit statement about its disarmament policy, but Beijing has always maintained that the Soviet Union and United States must first reduce their nuclear arsenals.

Afghan Rebels Hit Kabul Targets

ISLAMABAD, Pakistan (Reuters) — Moslem rebels have hit targets in Kabul, including the headquarters of Soviet forces in Afghanistan, in the most intense attacks on the capital in two years, diplomats reported Tuesday.

The strikes last week were launched shortly before UN-sponsored talks on Afghanistan began in Geneva and seemed aimed at backing insurgents' demands to be included in the discussions, the diplomats said. Other targets of the rebel raids on June 12, 13 and 14 included the Defense Ministry and an area near the Soviet Embassy, the diplomats said.

The diplomats, who have access to information from missions in Kabul, said mortars, rockets and automatic weapons were used by the rebels firing from positions on hills around the city. The talks involving Pakistan and Afghanistan, aimed at finding a solution to the conflict, cannot succeed, the rebels say, because they are not included.

Russia Rejects Spanish Proposal

MADRID (AP) — The Soviet Union rejected Tuesday a Spanish initiative designed to break the deadlock in the 31-month-old Conference on Security and Cooperation in Europe.

Last Friday Spain, the host country for the conference and the most recent member of NATO, proposed that the meeting accept a draft text presented by eight neutral nations in March as the conference's final document. The Spanish proposal left out any mention of a ban on jamming radio broadcasts, an amendment sought by the 16-country NATO bloc, but it called for the convening of a meeting in Bern, Switzerland, in 1986.

Anatoli Kovaliov, head of the Soviet delegation and his country's deputy minister of foreign affairs, said the neutral document — without any changes or additions — was "the acceptable limit" for the Soviet Union and the Warsaw Pact countries.

Chinese Parliament Ends Session

BEIJING (Reuters) — The National People's Congress, the parliament, ended a 16-day session Tuesday with a speech by the nation's newly elected president, Li Xiannian, calling for further carefully executed economic reforms.

"We should combine boldness in making reforms and blazing new trails with a strict scientific approach, think things over carefully, be resourceful and take steady action," Mr. Li told about 3,000 delegates.

India Seeks Arms From Moscow

NEW DELHI (UPI) — India's defense minister went to Moscow Tuesday in an attempt to work out an agreement for the purchase and local manufacture of the MiG-29, a jet fighter judged superior to the U.S. F-16 that Pakistan is acquiring.

The defense minister, Ramaswamy Venkataraman, scheduled six days of talks with his Soviet counterpart, Dmitri F. Ustinov, and other senior military leaders, with the MiG-29 topping India's military shopping list.

A spokesman for the Defense Ministry had no comment on the purpose of Mr. Venkataraman's visit, but a highly placed Defense Ministry source said that Mr. Venkataraman would negotiate on the supply of military hardware and technology from the Soviet Union.

Soviet Gain in Technology Seen

LONDON (AP) — The Soviet Union is steadily eroding the West's lead in developing military high-technology weapons and communications systems, mainly by pirating Western advances, according to the editor of Jane's Military Communications yearbook.

"The irony of the situation is that the more advanced and sophisticated Western electronic hardware becomes, the easier it becomes for the Soviet Union to acquire it," the editor, Bob Raggett, wrote in the latest edition of the authoritative annual, published Tuesday.

He said that the Soviet Union was buying sophisticated Western commercial equipment that can be used by its armed forces and is acquiring classified circuitry through clandestine deals with Western entrepreneurs. "Recent evidence has shown a great increase in illegal dealing," he wrote. "The situation appears to be that the Soviet Union can acquire almost any electronic hardware it wants provided it is prepared to pay the right price."

Delegates Gather for Prague Forum

PRAGUE (UPI) — Delegates from 140 countries gathered Tuesday for a conference that Western observers feared would include protests against the planned deployment this year of new U.S. ouclear missiles in Europe.

Despite official assertions that the five-day World Assembly for Peace and Life and Against Nuclear War would be a forum for "true dialogue," Western observers said they expected it to take on an anti-American, pro-Soviet slant. Publicity before the event took that tone.

About 2,500 delegates gathered for the opening of the meeting Tuesday, but Czechoslovak dissidents, including members of the human rights group Charter 77, and representatives of the unofficial East German peace movement were barred from the event. Several Western delegates said they intended to speak out not only against the U.S. missiles, but against all nuclear arms.

Weinberger Sees Pact With Russia

LONDON (AP) — U.S. Defense Secretary Caspar W. Weinberger, who arrived here Tuesday for a two-day visit, forecast that the Soviet Union would conclude arms reduction agreements with the United States if Washington continued with plans to modernize its nuclear forces.

Mr. Weinberger, in a speech prepared for the Pilgrims Society, said he remained confident that President Ronald Reagan's arms reduction proposals are "both realistic and achievable." However, Mr. Weinberger said that so far the Soviet Union had not shown a willingness to compromise.

The defense secretary added: "We believe that by continuing with the American strategic modernization program and convincing the Soviets of our determination to proceed with the planned NATO deployment of intermediate-range nuclear forces, we will convince the Soviets that it is in their best interests to conclude arms reduction agreements with the United States."

For the Record

MADRID (AP) — A Madrid court sentenced six Basque separatists Tuesday to prison terms ranging from 18 months to eight years for the 21-day kidnapping of Dr. Julio Iglesias, the father of a popular singer with the same name.

LUXEMBOURG (AP) — Foreign Minister Leo Tindemans of Belgium, in Luxembourg for a meeting of European Community foreign ministers, said Tuesday that his government had signed an accord allowing the United States to start preparations for the possible deployment of 48 cruise missiles in Belgium.

GENEVA (AP) — U.S. and Soviet negotiators met for two hours and 20 minutes Tuesday in their talks on limiting medium-range nuclear missiles in Europe. In the separate talks on strategic arms reductions, the Soviet and U.S. delegation met for two hours and 45 minutes.

President Reagan, serenaded by the country music singer, Tammy Wynette, at a fund-raising event in Mississippi.

Black Leaders in U.S. Accept Idea Of Fielding Presidential Candidate

By Howell Raines
New York Times Service

CHICAGO — A group of black civil rights and political leaders have approved the concept of a black candidate's seeking the Democratic presidential nomination.

Before making its decision, the group met with the Reverend Jesse Jackson, who has been traveling throughout the country to test support for a campaign on his part. But it stopped short of endorsing him and agreed not to support any specific candidate for the time being.

Instead, the group agreed to organize a "black coalition for 1984, to work on voter registration and to promote a people's platform" intended to project minority concerns in the Democratic campaign, according to Walter E. Fauntroy, delegate to Congress from the District of Columbia.

It was not clear how much support the group's decision would get, since some prominent black leaders who had participated in earlier meetings on a black candidacy did not attend Monday.

Mr. Jackson said Monday's decision made it "highly likely" that he or some other prominent black would enter the Democratic race.

Mr. Fauntroy and Mr. Jackson said that some members of the loosely knit group meeting Monday, which has been calling itself the "black leadership family" also had agreed to form an exploratory committee to decide which of several potential black candidates ought to run.

Both men were vague about the makeup of this exploratory committee. Mr. Fauntroy suggested that it included Mr. Jackson and Mayor Richard Hatcher of Gary, Indiana.

The forming of the committee appeared to be a compromise intended to set Mr. Jackson and other potential candidates free to try to put together a presidential campaign without tying the prestige of the nation's black leadership structure to the candidacy.

Mr. Jackson does not enjoy full support in that group, and some black leaders, including Mayor Andrew Young of Atlanta, have warned that his candidacy would harm white candidates such as former Vice President Walter F. Mondale, who have strong civil rights records.

"I still have a certain reluctance, frankly, about running," Mr. Jackson said Monday. "I was absolute about the proposition, but I am ambivalent about running."

Mr. Fauntroy, delegated as spokesman for those who attended the meeting, said they want to free themselves of the divisive question of endorsing candidates. He said the group would meet again in September.

The group has decided to formalize its existence under the title "Black Coalition for 1984," Mr. Fauntroy said.

He said it also approved Monday a draft of a "people's platform" that calls for full employment, a nuclear freeze, a more aggressive human rights policy and elimination of the Reagan administration's scheduled tax cuts.

The document is to be circulated to black political and civil rights groups for approval and be used as a standard to measure candidates on issues.

The coalition also decided Monday to mount a voter registration campaign in 24 states with the aim of increasing the black vote by 25 percent, Mr. Fauntroy said.

M. Carl Holman of the National Urban Coalition, a participant in the meeting, directed the drafting of the people's platform. Other participants included Mayor Kenneth Gibson of Newark; Antonio Harrison of the Democratic National Committee; William Lucey, secretary of the American Federation of State, County and Municipal Employees; Mark Stepp, a vice president of the United Automobile Workers, and Donald Tucker, an official of the National Conference of Black Elected Officials.

A participant described the attendance Monday as poor, but he and Mr. Fauntroy resisted the suggestion that some leaders had stayed away because of rumors that they would be pushed to vote on Mr. Jackson's candidacy.

Reagan Seeks Arms Against Communist 'Axis' in Latin America

By Lou Cannon
Washington Post Service

JACKSON, Mississippi — President Ronald Reagan has warned that "the Soviet-Cuban-Nicaraguan axis" could "take over Central America" if Congress refuses more military assistance for Central American nations friendly to the United States.

"We must not listen to those who would disarm our friends and allow Central America to be turned into a string of anti-American Marxist dictatorships," the president said at a Republican fund-raising dinner here Monday night.

"The result could be a tidal wave of refugees — and this time they'll be 'feet people' and not 'boat people' — swarming into our country seeking a safe haven from communist repression to our south," he said in an allusion to the 1980 flow of refugees into the United States from Cuba.

Aboard the president's plane en route to Jackson, the White House spokesman, Larry M. Speakes, declined to comment on the statement Sunday by former Vice President Walter F. Mondale that "it is inevitable that American troops will be sent into Central America" because Reagan policy there is "failing."

While the president spoke Monday with alarm about the Central American situation, he pointed with pride to administration efforts to increase the military budget, a theme he has often stressed before audiences in the U.S. South.

During the decade before he took office, Mr. Reagan said, "our military strength was permitted to erode disastrously."

"We promised to turn this threatening situation around," he said, adding: "We've set in place a program to rebuild our defensive capabilities. We are doing our best to keep costs down but no matter how diligent we are, there is no escaping the fact that providing this country with an adequate defense is an expensive undertaking, especially when you're forced to make up for the irresponsibility of so many past years."

Then Mr. Reagan launched into a variation of a theme he often used during the 1980 election campaign, saying, "We will not send our brave men and women in the military out to defend us with second-rate weapons and bargain-basement equipment."

He added a sentence to his prepared text to say that U.S. soldiers are so finely trained and well equipped that "they won't have to use those weapons because no one will dare tread on us."

The president spoke before 3,500 persons at the $200-a-ticket annual Mississippi GOP fund-raising dinner, where entertainment included country singer Tammy Wynette and the food featured such regional delicacies as fried catfish fillets and boiled crayfish.

He was greeted with thunderous applause equaled by cheers given to the Mississippi-born vocalist when she sang "Stand By Your Man" and kissed and hugged Mr. Reagan.

Conspicuously absent were any remarks by Mr. Reagan about the Justice Department's dispatch last week of federal registrars into five Mississippi counties to aid in registering low-income black voters who have complained of persistent discrimination in registration procedures.

The additional registrars were ordered into Mississippi by William Bradford Reynolds, assistant attorney general for civil rights, after he visited the state with the Reverend Jesse Jackson. The action was regarded by administration political strategists as likely to have more impact on moderate and liberal white voters than on blacks, who voted heavily against Mr. Reagan in 1980 and are expected to do so if he runs in 1984.

AP

Richard B. Stone

Stone May Meet Salvador Rebels, U.S. Sources Say

New York Times Service

WASHINGTON — President Ronald Reagan has authorized his special envoy to Central America, Richard B. Stone, to explore the possibility of meeting with Salvadoran guerrilla leaders if the government of El Salvador endorses the idea, senior administration officials said.

The officials stressed Monday that Mr. Stone would not try to open a negotiating channel between the Reagan administration and the insurgents and would not offer the guerrillas any hope that they could discuss broad political issues, including power sharing, with the Salvadoran government.

Mr. Stone's role, the officials said, would be limited to trying to help the government and the insurgents find a mutually acceptable framework for discussions consistent with the U.S. and Salvadoran condition that any guerrilla participation in the government be established through elections, not negotiations.

In a meeting with Mr. Stone, Secretary of State George P. Shultz and other senior national security aides, Mr. Reagan emphasized that U.S. mediation efforts in Central America should focus on supporting negotiating initiatives already under way rather than trying to impose settlements conceived in Washington, the administration officials said. They added that they did not expect Mr. Stone to meet with guerrilla leaders before next month.

Guerrilla representatives have met in the past with U.S. officials for informal discussions about the Salvadoran civil war, but the United States has not held formal talks with representatives of the insurgents. Mr. Stone returned last week from his first tour of the region, including a visit to Nicaragua. He reported on the results of his trip to Mr. Reagan at Monday's meeting.

High Court Backs Penthouse on Libel

Los Angeles Times Service

WASHINGTON — A libel suit in which a former Miss Wyoming, Kimerli Pring, once won a $26.5 million award against Penthouse magazine came to an end with Miss Pring receiving nothing.

The Supreme Court on Monday left in effect a lower court ruling overturning the judgment. The justices refused to review claims by Miss Pring's lawyers that the effect of the lower court's decision was to "immunize" all works of fiction from libel suits. There were no recorded dissents.

The court's action was the final victory for Penthouse, which had been defending itself against the libel suit for nearly four years. "Miss Pring really hasn't gotten justice, and she won't," her lawyer, G.L. Spence, said Monday, admitting the case is now over.

Bob Guccione, Penthouse's publisher and editor, termed the court's action "a signal victory for the First Amendment. Had Pring prevailed, it would have meant the end of fiction being published in the United States." Mr. Guccione said that he had no regrets about running the "Miss Wyoming" article and said the libel suit "will in no way change our publishing policy."

In its August 1979 issue, Penthouse published a story labeled as humor about an expert baton twirler who became Miss Wyoming and went on to the Miss America pageant in Atlantic City. Miss Pring was the Women's Grand National Baton Twirling Champion and represented Wyoming at the Miss America contest in Atlantic City in 1978. In her libel suit, she contended that the Penthouse article damaged her reputation and destroyed everything she had worked for.

Micronesia Votes On Link With U.S.

United Press International

KOLONIA, Micronesia — Micronesians voted Tuesday on whether to endorse a pact with the United States that would provide financial support and defense in exchange for continued U.S. military access.

UN and U.S. observers monitoring the plebiscite on a 15-year compact of free association between the western Pacific archipelago and the United States said early voter turnout on the capital island of Ponape was good.

President Tosiwo Nakayama, 52, predicted that Micronesia's 40,000 voters would vote to continue association with the United States. The accord could cost the United States as much as $1.4 billion in aid and must be approved by Congress. The four-year-old Federated States of Micronesia comprise four tiny island states — Ponape, Yap, Truk and Kosrae — with a land area of 271 square miles (707 square kilometers).

Bombs Explode in Spain

Reuters

SAN SEBASTIAN, Spain — Two bombs exploded in this Basque city early Tuesday, damaging showrooms for cars and electrical goods but causing no injuries, police said. No organization claimed responsibility for the blast.

UN Refugee Aide Says Indochina Crisis Has Ended

United Press International

JAKARTA — The United Nations representative for boat people fleeing Indochina said Tuesday the crisis is over, largely because of the joint efforts of Indonesia and the United Nations High Commissioner for Refugees.

Indonesia has granted temporary asylum to 114,000 boat people and refugees from Indochina since 1979 and more than 100,000 have settled in new countries, said Philippe Labreveux, UN refugee representative for Indonesia and Singapore.

Mr. Labreveux said the "crisis is now over" as the exodus from Vietnam has halted. "But small numbers of boat people keep coming and will keep coming for the foreseeable future. The cooperation between all countries concerned must be maintained," he said.

Mr. Labreveux said only 10,000 refugees were still in a relocation camp in Indonesia, learning the languages of their future host countries. "More than 100,000 people are now in the United States, Australia, Canada, France and the Federal Republic of Germany," he said.

Egypt Debates Plan to Cut Consumer Goods' Subsidies

By David Lamb
Los Angeles Times Service

CAIRO — The Egyptian government, facing an economic struggle despite vast U.S. aid, has decided to reduce its budget deficit by tackling a socially sensitive issue — subsidies.

Traditionally, almost a third of the budget, as much as $3 billion a year, goes into subsidizing a wide variety of consumer products ranging from bread to gasoline. The subsidies benefit rich and poor alike.

President Anwar Sadat's government tried to reduce subsidies in 1977 by raising the price of a loaf of bread, from the equivalent of 1 cent to 2 cents. Rioting broke out in Cairo and Alexandria and lasted three days. Sadat quickly rescinded the order.

In debate in Parliament on the 1983-84 budget, Finance Minister Salah Hamed said that subsidies would be reduced by $435 million. He did not indicate what commodities would be affected but promised that the burden would not fall on the working class.

Economists have long argued that excessive government subsidies encourage waste and place an unnecessary strain on Egypt's economy. Like governments everywhere, though, Egypt's has found that once subsidies are established it is almost impossible to eliminate them or even reduce them without provoking civil unrest.

Bread is so cheap — it costs less than the wheat that goes into it — that stale loaves are often seen stacked up around the city. Farmers feed it to their pigs.

A 4-foot-high canister of butane gas to foel a stove sells for only 60 cents, and a gallon of gasoline costs 75 cents. With prices so low, fuel conservation is unheard of; in some offices, the lights are left on all night. Egypt's consumption of petroleum products — the country is a producer and exporter itself — is going up at the rate of 15 percent a year.

The Egyptian economy, shored up by about $2.5 billion a year from the United States, for military and civilian uses, has suffered from falling oil prices and reduced revenues from the Suez Canal.

According to Western economists, the principal impediment to economic recovery here is the birthrate, one of the world's highest. The population, now about 44 million, has doubled since 1932 and is expected to double again by the turn of the century.

In the parliamentary debate, Mr. Hamed said he expected next year's budget to be the equivalent of $11.6 billion. He said the government hoped to create 400,000 jobs next year, increasing to 12.6 million the oumber of Egyptians working. Priority will be given, he said, to building low-cost housing and mosques, and "the spreading of religious and spiritual education."

To increase revenues, the government is raising by 50 percent the tariff on imported luxury cars, 73,529 of which were brought in last year, compared with 41,896 in 1980. It is also raising the maximum personal income tax, for people earning more than $246,000 a year, to 65 percent from 50 percent.

The Ministry of Manpower has annouoced, meanwhile, that 100,000 university graduates will soon join the civil service.

Press Policy Of UNESCO Is Assailed

UN Secretary-General Calls It Misguided

By Jonathan Friendly
New York Times Service

NEW YORK — Attempts by UNESCO and some of its members to limit press freedom are misguided, the secretary-general of the United Nations, Javier Pérez de Cuéllar, has told a group of U.S. journalists.

The journalists, members of the World Press Freedom Committee, met with Mr. Pérez de Cuéllar Monday to discuss what they see as attempts at censorship by the United Nations Educational, Scientific and Cultural Organization and some of its members.

According to spokesmen for the group and for the secretary-general, he reaffirmed his support for press freedom and said the UNESCO debate on how the press should function is "wrongly addressed."

In keeping with UN practice, the meeting was closed to outside reporters. Later, Dana Bullen, executive director of the committee, quoted Mr. Pérez de Cuéllar as saying the debate on the press "has politicized and polarized UNESCO more than is appropriate."

UNESCO's budget and staff are separate from the United Nations, but the secretary-general can use his influence to try to redirect its debate, said François Giuliani, a spokesman for Mr. Pérez de Cuéllar.

Some UNESCO member countries and some members of the staff have urged the creation of a so-called oew world information order to redress what they see as unfairness in reporting about developing countries.

The press group included the presidents of the two largest news services, Keith Fuller of The Associated Press and William J. Small of United Press International, and representatives of the American Society of Newspaper Editors, the American Newspaper Publishers Association and the Inter-American Press Association.

Mr. Giuliani noted, however, that the secretary-general told the group that the U.S. press is frequently "masochistic" in coverage of the United Nations.

"The defeats are on the front page but the victories are on the back page or not reported at all," he said.

Mr. Pérez de Cuéllar said the Western press could be "more sensitive" in reporting social and economic advances as well as political turmoil in developing nations, the spokesman said.

He also was said to have urged increased coverage of continuing UN programs as well as the political debates in committees and the General Assembly.

Labor Official Is Held in Peru

United Press International

LIMA — The leader of Peru's largest labor coalition has been arrested on charges of creating "public disorder" by staging two illegal strikes and planning a third in defiance of a state of emergency, a government official announced.

Interior Minister Luis Percovich Roca said Monday that Isidoro Gamarra, president of the Peruvian Workers Federation, was arrested for "altering public order" by organizing national strikes in 1981 and last March.

The federation plans a national strike by 75,000 miners Wednesday to protest the state of emergency and suspension of civil rights. Public marches and union meetings are illegal during a 60-day state of emergency declared May 30 to stem guerrilla violence.

Thai Police Detain 117

The Associated Press

BANGKOK — Police detained 117 students Tuesday following brawls that left three students injured, a police officer said.

DEATH NOTICE

LUBNER MORRIS
Johannesburg, South Africa. To our loving Dad and Grandpa who passed away peacefully June 18th. Deeply missed and mourned by his loving son Gerald and Tina and grandchildren Maxine, Karen, David and Laura.

United Press International

A ROYAL VISIT TO CANADA — Prime Minister Pierre Elliott Trudeau of Canada and Diana, the Princess of Wales, during ceremonies in Ottawa. Diana and her husband, Prince Charles, are in the midst of an 18-day visit to the country.

Decorated Veteran Denounces U.S. For Cutting Off His Disability Pay

By Robert Pear
New York Times Service

WASHINGTON — A Vietnam veteran honored for valor by President Ronald Reagan has deoounced the administration for cutting off his Social Security disability benefits, and be said his plight typified the experience of many Americans.

Testifying Monday before the House Select Committee on Aging, Roy P. Benavidez, a retired master sergeant who was awarded the Medal of Honor by Mr. Reagan in February 1981, said Social Security officials had concluded that he was able to work even though he had two pieces of shrapnel in his heart, both arms and legs were "severely impaired," one lung was punctured and he had "constant pain."

Mr. Benavidez was injured when he ventured into a dense jungle, under heavy gunfire, to rescue eight comrades in the Army Special Forces near Loc Ninh, Vietnam, in 1968.

The citation with his medal said Mr. Benavidez had performed "daring and extremely valorous actions" while being wounded in the face, head, stomach, back, leg and thigh.

Referring to the other people who had lost disability benefits in the U.S. effort to remove ineligible people from the rolls, Mr. Benavidez said: "I and 350,000 others have been insulted. We feel like third-class citizens."

Paul B. Simmons, deputy commissioner of Social Security, defended the administration's record, but acknowledged that "mistakes have been made." He said that the disability reviews began in March 1981 under the terms of a law enacted in 1980. "Lax program administration in the 1970s had permitted large oumbers of ineligible people — as many as one in five of those on the rolls — to get on, and stay on the rolls of this $18-billion program," Mr. Simmons said.

Mr. Benavidez said he did not consider himself a hero, but hoped his case would draw attention to the plight of the many people whose benefits had been terminated by "what appears to be a callous and unfair review system."

On June 7, Margaret M. Heckler, the secretary of health and human services, annoonced changes in the disability program that she said would make it more "humane and compassionate." But J. Thomas Burch Jr., a lawyer for Mr. Benavidez, said that the changes would not help his client.

Representative Edward R. Roybal, a Democrat of California, who is chairman of the Committee on Aging, said that state officials had begun to register "strong objections" to the policies and guidelines established for disability reviews by the Reagan administration.

Governor Bill Clinton of Arkansas, a Democrat, said the U.S. government was not giving the states any leeway. He added, "The administration of this program has been characterized as reducing abuse, but is little more than a cost-control program without regard to human consequences."

Governor James B. Hunt Jr. of North Carolina, a Democrat, in a letter to Representative Roybal, said the U.S. rules were "unfair to recipients and should be thoroughly reassessed." He said that disability benefits should oot be halted "unless a recipient's medical condition has clearly improved." Social Security officials oppose that standard. They say that new medical technology permits some disabled people to work even if their conditions have not improved.

The Senate last week approved a proposal by Senator John Heinz, Republican of Pennsylvania, that would bar the Social Security Administration from halting benefit payments to anyone previously diagnosed as having a mental disability. The moratorium would last at least six months and would end only when Social Security officials had developed new criteria to evaluate mental disorders.

Italian Socialist Chief Would Quit in Defeat

Reuters

ROME — Bettino Craxi suggested strongly Tuesday that he would resign as Socialist leader if the general election on Sunday failed to produce a clear show of support for his party.

"Whoever loses, goes," he said in a televisioo interview. "If the policies we propose are defeated, the right thing to do will be to resign."

Asked what he would regard as a Socialist victory, Mr. Craxi said that he wanted a "clear and unequivocal signal from the electorate."

The Socialists are known to want at least 13 percent of the vote, compared with their 10 percent in the last general election in 1979, to increase the possibility that Mr. Craxi would become his party's first prime minister.

Public opinion polls thus far suggest only small swings by the electorate, with the Socialists possibly gaining up to 2 percent.

The Socialists, seeking to dent the traditional domination of Italian politics by the Christian Democrats and the Communists, precipitated the election by bringing down the government of the Christian Democratic prime minister, Amintore Fanfani, in April.

On policies, the Socialists say they are as interested in combating unemployment as in fighting rising inflation with austerity. The same basic program has been proposed by some Christian Democratic factions as well as the small Republican and Liberal parties.

In another development, the Christian Democratic leader, Ciriaco de Mita, again hit out at Mr. Craxi's call of last week for a power-sharing pact between their two parties. Mr. de Mita commented that it was not opportune oow "to improvise agreements."

To many, the campaign seems largely without issues. The four parties of the center-left cabinet, Christian Democrats, Socialists, Social Democrats and Liberals, are divided in a confused political atmosphere.

The Turin newspaper, La Stampa, ooted that the outgoing parties had ignored calls for a firm pact in order to tackle pressing problems. "Forty-four million Italians will vote, without knowing for what," the newspaper commented.

U.K. Readies New Curbs On Unions

Reuters

LONDON — The Conservative government will outline new laws to curb the powers of Britain's labor unions when the oew session of Parliament begins Wednesday, according to government officials.

A move against union powers was foreshadowed in the Conservative Party's campaign platform in this month's election, which returned Prime Minister Margaret Thatcher's administration to office with a commanding majority.

Mrs. Thatcher's first government began to roll back union powers with the passage of laws that ended unions' immunity from legal suits for damages, weakened agreements making membership mandatory, and limited secondary strikes.

When she shuffled her cabinet after the election, Mrs. Thatcher retained her employment secretary, Norman Tebbit, so that he could complete the job.

At the state opening of the new Parliament on Wednesday, Queen Elizabeth II will announce plans for more union reforms in a speech written by the government, officials said.

The reforms will concentrate initially on compulsory secret ballots of union members before a strike is allowed and for the election of officials, they said. An attack on the unions' political funds — and, indirectly, the opposition Labor Party's finances — will come later, they added.

The Labor Party, created out of the union movement at the turn of the century, gets most of its funds from unions under a system of affiliation that exacts a political levy unless members individually say they do not wish to pay it. The government would change that system to one in which union members had to choose to pay levies rather than to opt out.

Other measures to be announced on Wednesday include proposals to transfer more state-owned businesses to private ownership.

The government has promised a debate on capital punishment, abolished in 1965, but the officials said that no legislation was to be proposed in the Queen's Speech. Mrs. Thatcher favors the restoration of hanging in some murder cases. She told right-wing Conservatives who called recently for a referendum on hanging that the issue was too complex for a simple yes-or-no vote.

East Europeans Fail To Block ILO Report

The Associated Press

GENEVA — The Soviet bloc failed Tuesday in a new attempt to block the adoption of a report by the International Labor Organization that reviewed compliance with international conventions on workers' rights.

In a secret vote, the ILO's annual conference approved a committee report assessing the implementation of the ILO's standards in 74 of the organization's 150 member nations.

The vote, 263-4 with 164 abstentions, took place amid a campaign by the Soviet bloc for radical changes in the ILO's system of monitoring rights violations. A memorandum said the system should be brought into line with the "objective realities" of the postwar world.

Delegates from East European and some Third World Countries announced before the vote that they would abstain in what was seen as an effort to prevent a quorum. The same procedural tactic has been successfully applied three times during the past 10 years, last in 1982 when a report critical of Poland's crackdown on the independent Solidarity labor movement was thus defeated.

In an address after the vote, the ILO director-general, Francis Blanchard, defended the control mechanism. He voiced "great concern at the increasing number of cases ... of dissolution of trade unions, exile or imprisonment of trade unionists, even torture or other forms of ill treatment."

Mr. Blanchard said the "alarming" proliferation of complaints lodged with the ILO and alleging violation of workers' rights is "illustrative of the deterioration of freedom of association throughout the world."

The Soviet bloc campaign was triggered by a decision by the ILO's governing body to set up a commission to investigate the Polish union situation. Poland subsequently decided to boycott the conference. The East bloc also objected to criticism of Czechoslovakia over the discharge of workers on political grounds.

Several Western observers had expected a lack of a quorum Tuesday. But the fact that the report also listed progress in compliance in several countries, specifically Bolivia, Peru and Uruguay, "apparently convinced quite a few developing countries" that it should be adopted, a West European delegate said outside the conference.

Heroin Seized in Sydney

The Associated Press

SYDNEY — Authorities seized 88 pounds (40 kilograms) of heroin Tuesday, estimated to have a retail value of between $34 million and $52 million.

Study Backs Affirmative Action Rules

Employment Gains Seen for Minorities

By Mary Thornton
Washington Post Service

WASHINGTON — While the Reagan administration is working to relax affirmative action requirements, a study by the Labor Department has found them extremely effective in bringing blacks, women and Hispanics into the work force.

The study has not been published. And some congressional sources believe that there have been attempts to suppress it.

The administration strongly opposes numerical hiring goals for minorities that have been in effect for more than a decade for U.S. contractors. Assistant Attorney General William Bradford Reynolds, who heads the civil rights division, has called these quotas the equivalent of a "racial spoils system" and made it clear that he will oppose them in court.

A draft of the study said that companies doing business with the government and, thus, subject to special requirements, "have posted significantly greater gains in the employment and advancement of minorities and women" than companies with no such obligations.

Under U.S. law, all companies are prohibited from discriminating on the basis of gender, race or national origin. But those with U.S. cootracts worth $10,000 or more must take affirmative action, subject to review, to hire women and members of minority groups in proportion to their representation in the work force. The administration is considering seeking a change in that law.

The Labor Department study, which examined hiring practices at 77,098 businesses between 1974 and 1980, found that minority employment grew 20.1 percent at companies covered by the requirements but by only 12.3 percent at companies with no government business and no special hiring requirements.

During that time period, employment of women grew 15.2 percent at companies with these programs, compared to only 2.2 percent at the other companies, the study said.

Before such action, the study said, "Where minorities were employed, they were found almost entirely in the so-called '3H' jobs — hard, hot and heavy. Women were concentrated in clerical occupations in business and industry in general, and in low-paying, semi-skilled jobs in women-intensive industries, such as garment manufacturing and food processing."

The study found that affirmative action also helped women and minorities move into management.

For example, the study found that at businesses with the program, the number of black "officials and managers" increased 96 percent. The number of women in that category rose 73 percent, compared with 6 percent for white men.

In companies without an affirmative action program, the number of blacks and women in those high-level jobs also increased but not as much. Those companies showed a 50-percent increase for blacks, 36 percent for women and 7 percent for white males.

The study was requested in 1981 by Ellen Shong, director of the Office of Federal Contract Compliance Programs, and was conducted by J. Griffin Crump.

Another unpublished report, just completed for the Labor Department, by Jonathan S. Leonard of the University of California, has similar conclusions. It found that, as affirmative action has increased the demand for minority workers, "it has increased their earnings as well as their employment and occupational status."

González Hopes To Assure U.S. Of Moderation

Reuters

WASHINGTON — Prime Minister Felipe González of Spain met with President Ronald Reagan here Tuesday and was expected to reassure the United States of his political moderation.

Official Spanish sources said the 41-year-old Socialist prime minister was expected to stress the "positive steps" he had taken in defending U.S. interests since he took office in December at the head of Spain's first government of the left in more than four decades.

In a television interview, Mr. González said Spain's young democracy expected material support from the United States. He said Spain had waited 30 years longer than other European countries for democratic freedoms.

The White House meeting took place after a warning by Mr. Reagan on Monday night of a growing Communist threat in Central America. It also followed the apparent failure of a Spanish initiative to end the East-West deadlock in Madrid at the Conference on Security and Cooperation in Europe.

The prime minister preceded his U.S. trip with a tour of Latin America in which he strongly criticized U.S. policies. Mr. González termed U.S. actions in the region "fundamentally harmful" and said he was ready to express his views directly to Mr. Reagan.

But the main emphasis in Tuesday's meeting was expected to be on bilateral issues and security.

Japan Accuses Russian Of Industrial Spying

Compiled by Our Staff From Dispatches

TOKYO — Japan announced Tuesday that it had accused a Soviet diplomat of spying on its industrial high technology and that he had already left the country at Tokyo's request.

A Foreign Ministry statement said Arkadii Vinogradov, 41, a first secretary at the Soviet Embassy who came to Japan in 1980, had tried to obtain information from a large computer company based in Kanagawa, an industrial suburb just south of Tokyo. The ministry did not name the company.

Mr. Vinogradov left on Sunday at the "strong request" of the Japanese government, the ministry said. Japan's move was not as harsh as the recent outright expulsions by France, Britain and the United States of Soviet diplomats, journalists and officials accused of espionage.

Foreign Ministry officials described the move as a virtual expulsion. But both Prime Minister Yasuhiro Nakasone and the ministry said that they hoped it would not harm overall Soviet-Japanese relations.

"It is a highly regrettable state of affairs," Mr. Nakasone said. "I hope such a thing will oot recur." He added: "Our idea of maintaining stable and friendly relations with the Soviet Union as in the past remains unchanged."

The Foreign Ministry statement said that Mr. Vinogradov had worked with Boris Kakorin, a 42-year-old Soviet engineer who arrived in Japan in 1978 and left last year. Foreign Ministry officials said Tuesday that Mr. Kakorin would not be permitted to return. A police report in May described both men as KGB officers.

The Foreign Ministry spokesman said that Mr. Vinogradov and Mr. Kakorin had approached a senior executive of the computer company to seek information on its products and later offered to finance him in establishing a consultancy to engage in industrial espionage after he retired from the computer firm.

The Foreign Ministry said that this was the first time Japan had asked a Soviet diplomat to leave for engaging in undesirable activities. However, a Soviet military attaché was reported to have left Japan in haste in 1980 after three officers of the Japan Self-Defense Forces were convicted of leaking military secrets, mostly about China.

There have been periodic news reports and expressions of official concern about the possibility of industrial and military espionage in Japan, which has oo anti-espionage law.

The economic daily Nihon Keizai in April quoted what it said was a secret government document saying that about 30 Soviet intelligence agents were active in Tokyo, collecting advanced technological information for use by the Soviet munitions industry. Government officials would not comment on the report.

The departure of Mr. Vinogradov followed allegations made by Stanislav Levchenko, a former KGB major who defected to the United States in 1979. Mr. Levchenko maintained that the KGB had penetrated the Japanese government, industry and media. The chief secretary of the Japanese cabinet, Masaharu Gotoda, said that Mr. Vinogradov had been exposed by a police investigation, not by Mr. Levchenko's information.

Yasuhiro Nakasone

Nakasone Campaign Emphasizes Foreign Policy

By Sam Jameson
Los Angeles Times Service

YONAGO, Japan — Prime Minister Yasuhiro Nakasone told a group of voters here recently that the Japanese have created an image of themselves as people "who cower easily, become timid in front of strangers, are cunning, act selfishly and are good at making money."

Mr. Nakasone, who is facing his first nationwide test at the polls Sunday, was addressing a crowd of about 5,000 in this commercial center for fishermen and farmers 381 miles (613 kilometers) west of Tokyo on the Sea of Japan.

"As a result of this image," he said, "there has been a tendency for Japan to be excluded from world forums in which important decisions are made. A kind of ostracism has been applied to Japan."

He continued: "For Japan to be regarded this way, despite our 2,000 years of tradition, the richness of our spiritual life, the strength of our arts, is unbearably mortifying."

He said Japanese should "walk with our heads held high" and associate "with other nations as an equal."

"We have come to the point at which we must change into this kind of international Japan," he said.

Here and at four other stops on a two-day campaign trip in connection with the election for the House of Councillors, the upper house of parliament, Mr. Nakasone made it clear that if he has his way Japan will oo longer be a shrinking violet in world political councils or a nation known abroad as an "economic animal."

This theme, and Mr. Nakasone said privately that it was the cen-

NEWS ANALYSIS

tral point he was trying to make in the campaign, is without precedent in Japan, a nation where political common sense dictates that few votes are won with foreign policy.

None of Mr. Nakasone's predecessors since World War II has gone beyond pledging to keep Japan passively allied with the United States.

But Mr. Nakasone said: "As a country with no resources, which depends upon trade to live, Japan must join the world community of nations. If we just pull into a shell, concentrating on the narrow domestic interests of Japan itself fixed to self-righteousness and selfishoess, our destination will be clear: isolation from the rest of the world."

Although it is a theme that Mr. Nakasone has sounded throughout his political career, which goes back to 1947, this time he brings to the campaign a record of action.

At the economic summit meeting in Williamsburg, Virginia, he supported President Ronald Reagan in his negotiations on nuclear weapons with the Soviet Union. That touched off a crescendo of criticism here in the press and from opposition parties.

But Mr. Nakasone is offering oo apologies for the stand he took at Williamsburg, which some Europeans described as "more like a NATO leader than many NATO leaders."

Mr. Nakasone said that it is oot by making speeches against nuclear weapons, as Japan's Socialist and Communist parties are doing, that ouclear weapons will be reduced or eliminated.

That goal, he said, can be achieved only by getting the world's two leading ouclear powers, the United States and the Soviet Union, to agree to nuclear disarmament. And for that, he said, President Reagan needs the unified backing of his allies.

For its part, he said, Japan cannot tolerate a solotion to the oucleâr missile problem in Europe that would "make Asia a dumping ground for Soviet missiles" removed from Europe.

But to the press and the opposition parties, Mr. Nakasooe's advocacy of deploying U.S. ouclear weapons in Europe stirred fears that the man they have labeled a hawk with militaristic tendencies might someday permit U.S. nuclear weapons to be stationed on Japanese soil.

The Socialists, who are the No. 1 opposition party and advocates of unarmed neutrality for Japan, and the Communists have made the Williamsburg declaration a focal point of their campaigns.

Half of the 252 seats in the upper house are at stake. A victory by Mr. Nakasone's Liberal Democratic Party appears certain, but the margin of victory could have a great impact on Mr. Nakasone's ability to carry out the sort of foreign policy he is advocating.

Some Japanese still associate an active, foreign policy with Japan's defeat in World War II. Some believe that Japan's postwar diplomatic silence, having proved successful for many years, should be continued.

A solid victory in this election would solve only part of Mr. Nakasone's problems. He must call an election for the lower house of parliament by next Juoe, and it is in the lower house that the prime minister is elected.

Sikhs Demand Apology by U.S. Envoy

The Associated Press

NEW DELHI — About 250 Sikhs shootiog "Down With Barnes" demonstrated in front of the U.S. Embassy Tuesday, demanding a public apology from Ambassador Harry G. Barnes because he likened the Sikh and Puerto Rican independence movements.

The protesters also gave an embassy official a letter addressed to President Ronald Reagan, asking that he restrain his envoy from making statements that were tantamount to U.S. interference in India's internal affairs.

The police seized the demonstrators on grounds that they obstructed traffic but sooo released them, a police spokesman said.

Former Prime Minister Charan Singh, a leading member of Prime Minister Indira Gandhi's political opposition, said Monday that Mrs. Gandhi should get Mr. Barnes "withdrawn immediately."

Mr. Barnes, in an interview with Indian reporters a week ago, said, "We don't go around complaining because somebody happens to come to India from time to time and talk about Puerto Rico, and therefore we're rather puzzled why people here are bothered so much" about the recent visit to the United States of the Sikh secessionist leader, Jagjit Singh Chauhan.

Mrs. Gandhi took issue with Mr. Barnes Sunday, saying "the very base and the only base" of the Sikh independence movement is in the West, oot in India. Mr. Chauhan makes his headquarters in Britain, while the Akali Dal, the chief Sikh party in India, is campaigning for political autonomy rather than independence of the Punjab, the northern state where the bulk of the Sikhs live.

Japanese Schoolmaster Charged in Boy's Death

By Clyde Haberman
New York Times Service

TOKYO — When Hiroshi Totsuka, a well-known Japanese yachtsman, opened his school for emotionally troubled youngsters in 1976, he promised stern discipline and that is what he delivered.

Life at his small school outside Nagoya in central Japan was Spartan, with regular beatings and skimpy food rations.

Authorities agreed that some children in his care did seem to recover from autism and other disorders. The praise continued in some circles, even after there were reports of three deaths and two other probable deaths over the last four years.

The official attitude, however, changed last week when the 42-year-old Mr. Totsuka was arrested in Tokyo and charged with inflicting injuries that led to the death of a 13-year-old boy at the school last December.

Seven of his assistants were also held, and the police said they will question the headmaster about the two other deaths at the school.

The arrests brought denunciations of Mr. Totsuka from educators and psychologists, but the case may be symptomatic of a widespread tolerance in Japan of strong-arm tactics in the classroom.

Hiroshi Inamura, a professor of mental hygiene at Tsukuba University, north of Tokyo, called the incident a warning that "few appropriate institutions and experienced people are available for ever-increasing numbers of emotionally troubled children."

Parents who feel they have lost control over their children often say they do not mind when teachers take a hard line. In the special "cram schools" that are attended by many students to help them pass important examinations, sudden thwackings by stick-wielding teachers are not unheard of.

A nationwide newspaper poll two years ago showed that 78.4 percent of those surveyed believed that harsh physical treatment by teachers is either "sometimes" or "very much" a necessary.

Nor is the notion of tight discipline restricted to schools.

Some companies send new employees to army bases, where drills include marching and hand-to-hand combat as well as a stiff physical regimen.

Even when Mr. Totsuka came under suspicion months ago, some officials in the Nagoya area thought his methods still had merit.

His theory is that some youngsters' emotional instability can be attributed to overindulgence by parents. He set out, with training in sailing, to put these youths — most of them teen-age boys — under stiff control.

Their heads were shaved. According to one estimate, the school spent less than a dollar a day on food for each of the 80 students.

Older students patrolled the grounds at night, and special detection equipment was installed on staircases to help thwart escape attempts, which were common — as were beatings.

These practices received little attention until the death last December of Makoto Ogawa. An autopsy determined that he suffered scratches and bruises over his entire body and died of shock.

International Herald Tribune
Published With The New York Times and The Washington Post

Bad Soviet News

The Soviet Union faces problems that demand intelligent and innovative solutions. The meeting of the Supreme Soviet appears to have provided none.

The most urgent external problems are Afghanistan and Poland. Foreign Minister Gromyko described both last week in sterile and reactionary terms, calling them merely the result of Western interventions. This is bad oews for the world community.

Mr. Gromyko said the current negotiations in Geneva on Afghanistan can deal only with "the external aspects" of the Afghan situation, adding, "I underline the words 'external aspects'" — as if there were an external aspect separable from the internal. The war pits national resistance groups against the Soviet army and an Afghan regime, put in place by the Soviet Union, that is manifestly incapable of imposing its authority through means of its own.

Mr. Gromyko described the situation in Poland in equivalent terms, saying the West is responsible for "subversion" in Poland and threatening a military intervention in that country, too. He said the Soviet Union would do whatever is necessary to assure that Poland remains "an indivisible part of the socialist community."

What is unfortunate about all this is not only that the analyses are false — neither unrest in Poland oor the war in Afghanistan is the result of anything a Western government has dooe — but also that these threats, which serve for the Soviet leaders in place of a solution, are dangerous.

A Soviet invasion of Poland could provoke a catastrophe there, and possibly a general war if prolonged fighting spilled over into other East European states. Yet Poland's popular will to achieve national autonomy is irrepressible, as the visit of the pope again vividly demonstrates.

Nor is an enlarged Soviet intervention a realistic remedy in Afghanistan. And threats against the West are useless. The fighting there could oot be ended by the West. The Afghan resistance movement does not essentially depend upon weapons and support from outside.

In both places the only solutions are political, and in both cases the oecessary compromises run against the intransigent Soviet refusal to contemplate even limited popular self-determination on terms that would guarantee the Soviet Union's military security oo its Polish and Afghan frontiers.

Yet that clearly is the only solution which could limit or end conflicts that are themselves threats to the Soviet Union's military and political security. There had been hope that Mr. Andropov's oew administration would display a greater sophistication in these matters, a greater insight into political problems and a larger capacity for realistic action. The news from Moscow suggests that these expectadons were unjustified.

INTERNATIONAL HERALD TRIBUNE.

Poles Regain a Voice

The bold words of Pope John Paul II have obviously discomfited Poland's rulers, who must worry even more about the response of his huge Polish audiences. In a few days the pope will go home, leaving behind a population that after 18 months of General Jaruzelski's martial law still denies the military regime's legitimacy. It was, of course, to gain such legitimacy that Warsaw renewed its invitadon to the pope last November. The announcement brought immediate dividends; a gathering strike movement, sparked by underground Solidarity leaders, was quickly defused. A slide into demoralized "oormalization" seemed possible. Now it appears that there was never more than an uneasy truce between the Polish state and the Polish people.

Solidarity's leaders, Lech Walesa again among them, have recovered some of the tactical finesse that enabled them to capitalize on the regime's vulnerabilities during the upsurge of 1980-81. They grasp the extent to which the authorities are hostage to the need for international acceptance. And the Polish pontiff needed no instruction in his people's methods. In his most political act yet, the pope returned to Poland bearing witness. Although he did not counsel resistance, he refused to overlook or forgive suppression. Although he prayed for both sides, there is oo doubt which he came to comfort. "I am a son of this nation," he said, "and that is why I feel all its yearnings, its wish to live in truth, in freedom, in justice and social solidarity." In stalemated Poland, no Pole, least of all the underground leaders of Solidarity, expected more.

Soviet power and its Polish servants control the instruments of state but have failed to defeat a united people's yearning for a better order. When the people find a voice, whether it be the pope's or a shipyard worker's, the commander of the troops trembles. Let the Communist chieftains not be deceived. The problem is not that Gen. Jaruzelski is a weaker man than others they might put in his place. It is that Poland has suffered but survived too much history to be so easily subdued.

—*THE NEW YORK TIMES.*

Other Opinion

The Poles Will Win

The pope has been braver and clearer in his meaning than the advocates of Gen. Jaruzelski's version of normality could have thought possible. The Polish people have come out ooto their streets in astonishing numbers. They have heard from their countryman what in the West is lightly forgotten, of deaths among miners at the Wukek Colliery at the hands of the people's policemen in the early days of martial law. They have been reminded of deaths at Poznan in 1956 when the Polish people first reasserted their claim to liberty.

The Poles have marked and learned what the outside world has forgotten. It is oot wise to tell them to take a sophisticated view of their colonial status or to forget their dead. Such liberty as they have derives from a national disinclination to submit. When the pope tells a working-class audience in Katowice that the right to form trade unions is not conferred by someone, not given by the state, but that it "is a properly innate right," he says what is known by every Pole and forbidden to every other Pole but him to say. Thus he makes himself the spokesman of his people.

Those who expected anticlimax and deft consolidation of the Jaruzelski putsch have been mistaken, and one thanks God for the fact. For Milovan Djilas is right. The Poles will win. They have no arms, no people's militia, but they have themselves. Try coercing them. Try the bluff of Soviet intervention. Try any of these things and face the intangible will of a people which knows itself, is true to itself, and is lit by its own hearth fire. This side of a return to the Stalin of 1932-38, such options are not on. The Jaruzelski regime is roughly as popular with the Polish people as the Norwegian supporters of Germany in the early 1940s. The Poles will win.

— The Daily Telegraph.

Crisis in Public Radio

America's National Public Radio is on the edge of extinction. A crisis of budget and leadership threatens to sink it.

Just about every Western democracy except the United States, from France to Israel, has had a public element in broadcasting from the beginning. The motive was not usually pure; governments wanted cootrol. But independent journalists made their mark; publicly financed broadcasting developed a esprit and held its own against commercial competition.

In the recent British elections, broadcasting played an amazing role by American standards. There were no spot advertisements selling politicians like chickenburgers. Mrs. Thatcher and other party leaders faced reporters in long interviews, took questions from listeners in call-in shows and met panels of voters. Issues and personalities were on the air for hours every day. Not all of that was on the BBC. Commercial television news was preferred by many critics in Britain, and by Mrs. Thatcher. But the whole approach was influenced by BBC's public service tradition.

The British think that noncommercial broadcasting should be an element in the country's public life and cultural life. And they pay for it, by license fees. Other countries generally devoted to free enterprise are also committed to the proposidon that broadcasting should reflect some noncommercial values — and have public support to that end.

The crisis in National Public Radio is a reminder of how different America is. Public television and radio get from government what is a pittance by world standards. Stations are reduced to begging their audiences for money. NPR's total 1983 budget is $26.6 million, and the emergency plan is to cut it to $17.65 million next year.

— Anthony Lewis in The New York Times.

FROM OUR JUNE 22 PAGES, 75 AND 50 YEARS AGO

1908: Paris's American Hospital

PARIS — The American colony in Paris and the thousands of American tourists passing through the city have reason for great rejoicing in the fulfillment of a long-cherished promise of an American hospital. It has become tangible in a thoroughly up-to-date edifice, now being constructed. The hospital is to be conducted on such sanitary plans as are to be found in the hospitals of the United States — baths, fresh air, sunlight and every natural adjunct valued in modern hygiene will be esteemed as of the utmost importance. The building is situated at No. 55 boulevard du Château, Neuilly. It is located in an attractive portion of the property which was formerly included in the Parc de Neuilly.

1933: The 'Gold Four' Meet

LONDON — Spurred by the Anglo-American failure to make monetary peace and by President Roosevelt's reported instructions to the American delegation to do nothing to interfere with the administration's domestic inflation program, the European gold standard group consisting of the French, Swiss, Dutch and Belgians was stated to be preparing a new weapon to combat further depreciation of the dollar. The gold four opened discussions on a series of preferential tariff agreements among themselves and, if possible, some European oon-gold countries. These agreements would be designed to safeguard their markets against "the commercial consequences of any accentuated fall in the dollar."

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What Is the Anti-Insurgency Strategy?

By Charles Maechling Jr.

WASHINGTON — The transfers of Assistant Secretary of State Thomas Enders and Ambassador Deane Hinton and the establishment of a U.S. training base in Honduras with more than 300 advisers signal a shift toward militarization of the Reagan administration's program for Central America. They also highlight its ignorance of the nature of Marxist "wars of national liberation."

El Salvador and Guatemala contain all the ingredients for a successful strategy along classic Maoist lines — ridiculous disparity in wealth between rich and poor; greedy landowners (many absentee in Miami); security forces paid off by the landowners to kill and sow terror, and a dispossessed peasantry or Indian population.

These are lands that, as the international labor expert George Cabot Lodge wrote recently, "have always been characterized by oppression — oppression which has generally been nourished by the United States. Their transition to democracy is a tortuous process probably requiring revolution. If we oppose that revolution we will lose and push the winners into the hands of the Russians and Cubans."

In El Salvador and to a lesser extent in Guatemala, which is in an earlier stage of insurgency, the rebels are following the classic model to overthrow the government and win popular allegiance: Erode the government base in the countryside; destroy bridges, vehicles and communications facilities to cripple the economy; treat the peasantry humanely; release enlisted-men prisoners, and provoke government repression.

Tactically the rule is to retreat when the enemy advances, regroup when he stands still and attack when he exposes himself or retreats. A cardinal principle is to capture weapons and ammunition; this creates uniformity of armament and obviates the need for an outside supply line.

The response of the security forces in both countries has been classic also, with Latin refinements: Lump everyone in opposition — violent or nonviolent, moderately reformist or extreme Marxist — into one category called *subversivos*; declare open season to abduct, torture and kill *subversivos* and anyone suspected of opposition sympathies; conduct military sweeps through the countryside, indiscriminately slaughtering the peasantry, women, children and refugees in areas considered sympathetic to the insurgents.

In Nicaragua the beleaguered Sandinists also are resorting to classic revolutionary doctrine, but in a defensive mode. The combined army and militia replicate the pattern of the French Revolution's *levée en masse*, Leon Trotsky's Red Army of 1918-19 and Fidel Castro's Cuban national militia, all of which successfully repelled counterinsurgency invasions. The Sandinist strategy will doubtless be to draw the U.S.-supported counterrevolutionary forces further inside the country and then surround them.

The Reagan reaction to these developments is equally typical: intervention without intervening. That is, conducting guerrilla and counterguerrilla warfare by proxy, and with the crucial socio-political elements of counterinsurgency strategy conspicuously missing.

For El Salvador, the United States has no program of full-scale economic and societal reform to counter the insurgents' total strategy. For Nicaragua, there is no government-in-exile of respected democratic figures (as there was for Cuba at the time of the Bay of Pigs). In both countries the administration is fixated on military solutions; its only political prescription is "free elections," regardless of how premature, fraudulent or risky elections would be.

The Reagan administration's human rights stance is even worse, a blot on the U.S. escutcheon. It seems unable or unwilling to force its unsavory clients to abjure the most bestial practices of torture and mass murder. It also seems terrified of interfering with their internal structures, naively believing that these societies will eventually reform themselves — as if entrenched interests steeped in blood have ever done this in history.

Refugees from El Salvador and Guatemala are pouring northward, fleeing government massacres, not the guerrillas. In El Salvador the administration is promoting a land reform program — but applicable only to peasants not yet forced off the land. It keeps promoting free elections — but without safeguards for participation by opposition candidates.

The strategy of the Reagan administration, if one can so dignify it, touches none of the root causes of leftist insurgencies and will bring only more bloodshed and an anti-U.S. backlash.

Unless President Reagan wants another Vietnam, he has only two choices. The first is to disengage gradually and turn the problem over to the Latins under the aegis of the Contadora group of Mexico, Venezuela, Colombia and Panama. The second is to intervene with an effective counterinsurgency program aimed at expropriating the revolution from the Marxists.

This would mean negotiating power-sharing arrangements preliminary to elections under outside supervision; placing local security forces under complete civilian control and requiring that war criminals be turned over to justice; insisting on genuine land-distribution and rural cooperative programs. Either solution might be effective; the present course leads to a dead end.

The writer, a senior associate at the Carnegie Endowment for International Peace, was a principle counterinsurgency adviser in the State Department from 1961 to 1966. He contributed this comment to the Los Angeles Times.

Advisers, Training and Arms Aren't Enough

By Murat W. Williams

The writer was the desk officer for El Salvador in the State Department in 1946 and 1947, deputy chief of mission at the embassy in El Salvador from 1947 to 1949, and Ambassador to El Salvador from 1961 to 1964.

MADISON MILLS, Virginia — "Give me one regiment of my old First Division and I can clean up all Central America." Thus spoke a United States Army adviser in El Salvador 35 years ago — in 1948, after he had spent some months on duty as director of the Salvadoran military academy.

I listened with respect because he had had a spectacular war record with the First Division in Europe. Since then I have often wondered whether he was among the Pentagon planners who recommended sending troops to Vietnam, first in modest oumbers and then in hundreds of thousands.

I have woodered more recently whether one of his like-minded successors is making plans now to reinforce the U.S. advisers in El Salvador, and whether he will ultimately feel that perhaps two regiments of the "Big Red 1," the old First Division, or the Marine Corps will suffice to "clean up" Central America.

If so, I hope they will hesitate long enough to review the military record of the uniformed forces in El Salvador whom we have grappled to our bosoms as gallant democratic allies. Those of us who have known these forces have rarely been impressed by the Salvadoran Army's military skills.

Even the troops most recently trained seem to find invincible opponents in the outnumbered guerrillas whom they have met in jungles and dusty village streets.

It may prove too much to build an effective army out of the young conscripts, pressed into service to fight for a system that has done them little good, under officers who have been steadily maligned by their countrymen. The Salvadoran chief of staff convicted in New York in 1976 for trying to sell $2.5 million worth of machine guns to gangsters demonstrated the kind of corruption that U.S. advisers may still have to confront.

The Reagan administration proposes to increase the number of advisers in El Salvador and the volume of military aid. Whom will the North Americans advise and who will use the weapons the United States supplies? The same military establishment that has been receiving U.S. advice and advisers for at least 37 years. (The United States sent an Air Force mission to El Salvador in 1948, and a U.S. officer was director of the military academy as far back as 1946.)

U.S. advisers have been good men. Their missions have been skillful. But during almost the entire time we have advised, trained and supplied the Salvadoran military forces, the main preoccupation of the leaders of those forces has been with their own domestic politics.

One need not labor the point that the military officers generally worked to help the wealthy landowning class maintain an oligarchical system. Despite occasional efforts for reform, especially in the early years of the Alliance for Progress, more often than not the military officers served the landed families — and received ample rewards.

In the past decade or so, many officers began to ask why they should serve the landed families and not themselves. Today most of the old landowners are dispersed abroad, and military officers have increasingly become landowners.

Never has the system brought notable benefits to the rank-and-file soldiers. Seldom in this century have the higher aspirations of patriotism motivated the troops. Teenage youths, press-ganged and marched off to barracks with their thumbs tied behind their backs, could scarcely know what they would fight for if the time came to use the guns we have provided.

Our training has many limits. Salvadoran country boys often do oot have the minimum literacy to qualify for U.S. training camps. City boys may have the qualifications, but on their return they find life in the jungles harsh and unfamiliar. Two-thirds of the U.S.-trained conscripts have not re-enlisted for further service.

Youths from the upper classes have been conspicuously and completely absent from the army rank-and-file. The boys in uniform come almost entirely from families with no stake in the system and nothing to lose — with nothing to fight for.

These are the troops upon whom Ronald Reagan risks U.S. honor. He should consider the lesson we should have learned long ago — in many countries — that advice, training and matériel are not enough to make military success.

It will be a disaster if we let our commitment of advice and supply go so far that, when it proves inadequate, we must inevitably follow it up with a regiment, or two, or three, of our best troops. It will be unpardonable if under the illusion of "not losing El Salvador" we send U.S. troops to Central America in an intervention that could "lose" the whole of Latin America.

The New York Times.

The Madrid Conference: A Deal Almost Struck

By Don Cook

MADRID — An experienced British diplomat once observed that in negotiating with the Russians there is one basic rule. You must be prepared to sit at the table a day longer than they do.

The long Madrid conference of the 35 states that signed the 1975 Helsinki Agreement on Security and Cooperation in Europe is lurching to an uncertain end. Delegates began reviewing the agreement back in September 1980, at a time when Solidarity was gathering force in Poland. Somehow they have kept at it. Whatever pillorying the Russians and Poles have had to take in Madrid these many months, they have not been prepared to walk out on the only active forum for East-West dialogue at a time of potential danger.

The conference's outcome may well depend on whether the Western delegates are prepared to sit here one day longer than the Russians.

Still, there is a risk for the Western allies that too much rigidity, too much squeezing and twisting for a final concession might give the Soviet Union the excuse it may have wished for all along to scuttle the conference, put the blame on the West and forget the "Helsinki process" for another five years or more.

The diplomatic calculations for the crucial days or weeks ahead are delicately balanced on both sides. The West, in fact, has not done badly out of three years of patient hammering and chipping away at the Soviets and their Warsaw Pact allies. The results are scarcely spectacular, but the compromises that have been worked out so far are a great deal better than anything that was obtained in the previous review conference, held in Belgrade in 1977 and 1978. They should not lightly be allowed to go down the drain.

When the conference opened in 1980, a primary Soviet aim was to get quick agreement on having a special European disarmament conference under the Helsinki umbrella. NATO in general and the United States in particular were either suspicious or openly hostile about getting involved in yet another diplomatic exercise that seemed likely to serve only Soviet propaganda interests.

Three years later the tables have been reversed. Thanks primarily to skillful diplomatic work by the French, the Western powers have succeeded in turning the Soviet proposal to their own advantage.

Let us have a conference, the French said in effect, but let us limit it in the first stage to a discussion of confidence-building measures between East and West, and only if that succeeds will we go on to a second stage and discuss disarmament. Moreover, the French insisted, the only way that such a conference would make any sense would be if it covered all military forces from the Atlantic to the Urals.

It took Moscow almost two years to swallow the French formula. With the deployment in Europe of new U.S. missiles about to begin, various NATO capitals — Bonn in particular — believe that a European disarmament conference can now work to the advantage of the West.

An official mandate for the conference is now agreed on here, with only minor questions of language still at issue. Even a date has been fixed. If there is a successful conclusion to the Madrid conference in the next week or two, a European disarmament conference will be convened in Paris on Nov. 15. The foreign ministers of all 35 nations will probably attend the opening session.

There are other things the West has gained in Madrid in the last three years. There is an agreement to convene an experts conference in Ottawa, after the Madrid meeting concludes, to discuss problems of human rights under the Helsinki agreements. There is some new if rather vague language about the right to organize trade union movements, and there is some new wording about facilities for journalists and the reporting of news.

Under the economic headings in the original Helsinki accords, there are now references to facilities for businessmen and commitments to improve commercial contacts as a flow of economic information.

All this may be small potatoes, and nobody on the Western side has any illusions about the enthusiasm or the honesty with which anything of this kind is ever honored by the Soviet Union. But oeither does anyone here doubt that the long months of negotiation have been worthwhile.

About a month ago the Soviets abruptly agreed to a compromise final act of the Madrid conference that had been drawn up by the nine-nation neutral bloc last March. But the Western powers held out for some small additions to the compromise. The Soviets insist they have made their last concession and it is now take it or leave it in Madrid.

In light of all this, should the NATO powers settle for what they have, or should they sit a day longer and hold out for more?

Los Angeles Times.

Education: The Issue Of the Day

By David S. Broder

WASHINGTON — When I wrote last month that I had a hunch Secretary of Education Ted Bell was "riding one of the big issues of 1984 politics," little did I imagine it was going to become the early summer spectacular that it is. In one 24-hour span last week, President Reagan jetted from Washington to Tennessee to New Mexico to spread word of his newfound passion for education, while four Democratic presidential hopefuls sounded off on the subject back in Washington.

This kind of sudden exploitation of an issue which is, truth to tell, not exactly brand new has an odor of expediency. And those who sniff something fishy are right.

On the Democratic side one of the stakes is the support of the National Education Association, the largest teachers' union and a bountiful source of campaign workers and national convention delegates. Former Vice President Walter Mondale is supposed to have the NEA endorsement nailed down, but his rivals concede nothing. Last week Sen. Ernest Hollings of South Carolina, who had been considered an outsider for the NEA honors despite his strong credentials as a pro-education governor more than 20 years ago, suddenly raised the bidding.

Just a month ago Sen. Hollings had been out on the Senate floor and around the country calling for a freeze on federal spending. Now he found it in his heart to promise every teacher a $5,000-a-year federal pay raise — at the cost of $14 billion.

That immediately overshadowed Mr. Mondale's modest $11-billion annual "program for excellence," which he had unveiled, with suitable fanfare, at Harvard a month earlier. Whether $14 billion represents the top bid or just a temporary Democratic plateau remains uncertain.

But when it comes to hypocrisy on the education issue, no Democrat holds a candle to Ronald Reagan.

Until his pollsters and political advisers informed him that, guess what, the American people care about the kind of schools their kids attend, Mr. Reagan's contribution to the education debate had been nil.

Well, not nil; but, kindly put, tangential. He remembered intermittently that he had promised to abolish the Department of Education, and trotted out that pledge for conservative audiences. He was strong for prayer in the schools. And he would add to the deficits by granting tax credits for private school tuition.

When his advisers said that struck people as less than an adequate response to what his own commission on education had called a crisis, the president added to his repertory by borrowing an idea that Ted Bell had been peddling, without success, until then: merit pay for teachers.

He took it up with the passion of a convert and described it, with varying degrees of precision, as a formula that would assure the improvement in quality that is the keynote of all the recent education reports.

Unlike the Republican governor of Tennessee and the Democratic legislators in California, who have been struggling to pass merit pay plans, Mr. Reagan did oot put his money where his mouth was. Where they proposed tax increases to finance better teacher pay, Mr. Reagan said the money question was not his dish.

He took the same line that he has taken with governors, mayors and legislators on almost every other domestic issue that has arisen. We have cut taxes in Washington, Mr. Reagan said, so you fellows can raise them to pay for the programs you want.

That answer is equivalent to the man boarding a jet saying to the stranded standby passenger: Feel free to jump off the roof.

The federal tax cuts have contributed to big deficits that keep interest rates high and economic recovery slow. In that situation, states have had to raise taxes just to meet their existing program obligations, and few can afford service improvements.

Beyond all the posturing and the politics on both sides, there is a real issue: Where does America put its bets on its future as a country?

Do we assume, as Mr. Reagan does, that the last dollar of a rapidly increasing military budget is the surest guarantee of security? Or believe, as every one of the Democratic presidential hopefuls argues, that improvement of education has at least an equal claim on limited resources?

The Washington Post.

LETTERS TO THE EDITOR

Fuentes Misleads

Regarding "A Whole Continent ... Uniting Against You" (IHT, June 17) by Carlos Fuentes:

Your readers should be reminded that Mr. Fuentes, the Mexican author and diplomat and the friend and admirer of Fidel Castro, has consistently misled the United States about Cuban and Soviet involvement in Central America. His Harvard commencement address is no exception.

A network of international propaganda fronts continues to deluge Congress and the U.S. media with material designed to generate support for Marxist-led guerrillas and discredit U.S. policies and the legally elected Salvadoran government.

A captured report by Farid Handal, brother of the Salvadoran Communist Party leader, on an organizing visit to the United States in 1979, showed that this network of "solidarity committees" was established with the aid of the U.S. Communist Party and activists from the Institute for Policy Studies, the National Council of Churches and the U.S. Peace Council. Recently released U.S. intelligence reports confirm that the establishment of the "solidarity committee" oetwork was a Soviet effort.

Shirley Christian of the Miami Herald, who won a Pulitzer prize for her Latin American coverage in 1981, demonstrated in an article she wrote for the Washington Journalism Review in March 1982 that much of the media's output on Central America is dominated by a style of reporting that grew out of Vietnam. Communist sources are given greater credence than either the U.S. government or the government it supports.

Fidel Castro understands disinformation — and how to use it. Mr. Fuentes clearly does not. Worse, he believes what Castro tells him.

ARNAUD de BORCHGRAVE.
Center for Strategic and International Studies,
Washington.

Mainstreaming

Regarding "New Climate of Racism Seen in U.S." (IHT, June 9):

Black leaders demand "major efforts" to "bring the excluded into the mainstream." Do they intend to have it both ways — special treatment (affirmative action) plus "mainstream" (We're not so special after all)?

Forty-seven percent of 17-year-old blacks are illiterate? Assistance needed for mothers to perpetuate the no-father-at-home, semi-family travesty? Yes, mainstreaming is the idea, but this cannot be done without the adoption of mainstream values.

JAMES W. VOELZ.
Oxford, England.

International Schools

Regarding "International Education" (IHT special report, May 20):

May I first congratulate you on your decision to do a special report on international education. I would think that with your very international readership, this is something that you may want to think about doing regularly. I am sure a large proportion of your readership shares that one fundamental problem of raising children while holding a job that requires geographical mobility.

In the section entitled "A Guide to International Schools," one crucial omission struck me. One of the only truly international types of schools was not mentioned: the European Schools. More than American, British or French schools abroad, the European Schools represent an educational system which, in my opinion, is a *conditio sine qua non* of any future European unity.

M.D. REUCHLIN,
First Secretary,
Netherlands Embassy, London.

May I draw to your attention the fact that we have an American School in Vienna that was founded in the 1950s and has close to 700 students, nursery to grade 12.

DEXTER S. LEWIS,
Director,
American International School,
Vienna.

In your guide to international schools in France, the following information was omitted concerning Ecole Active Bilingue J.M., 70 rue du Théâtre, 75015 Paris: Its basic languages of instruction in all subjects from K to grade 12 are French and English, and it prepares students for the American College Boards and for the international baccalaureate in addition to the French baccalaureate.

PHYLLIS D. PLANEIX.
Paris.

INSIGHTS

AIDS in U.S.: Epidemic of Fear

'Gay Lifestyle' Is Questioned as Disease Spreads

By Dudley Clendinen

New York Times Service

NEW YORK — As public awareness of the disease known as AIDS has grown in the last few months, a picture has begun to emerge of the emotional and physical agony of those afflicted and of the fear, among homosexuals and about homosexuals, that has spread around the United States at a rate much faster than the disease itself.

In New York, a restaurant owner reflects on the way his lover, shunned by hospitals and airlines and then by undertakers, died this winter of the ailment, Acquired Immune Deficiency Syndrome.

In Denver, a woman calls to ask how she should fumigate an apartment she bought from a homosexual.

In Houston, some people refuse to donate blood lest they contract AIDS from the needles at the blood bank.

In New Orleans, a club owner sees a turn toward monogamy, a retreat from the casual, anonymous sex that has characterized "the gay lifestyle" for many homosexuals.

In Washington, as the number of cases nationwide mounts beyond 1,500 and the number of deaths nears 600, government officials are proclaiming AIDS the nation's No. 1 health priority, although they emphasize their belief that the vast majority of people are not in danger of contracting the deadly disease.

And in Boston, Paul DiAngelo, gripped by a cancer called Kaposi's sarcoma, racked by infections his body's stricken immune system cannot throw off, losing 10 quarts (9.5 liters) of fluid a day to a diarrhea the doctors cannot quell, struggles at the age of 33 to survive, to hope, to remain brave and to divine the meaning of this dread disorder.

The Symptoms

For Mr. DiAngelo, it did not seem so threatening in the beginning: fever, chills, a slight diarrhea. That was four months ago, and it went away. But it came back four days later, abated, then returned, each time growing stronger, and in a few weeks, holding on.

Then he noticed some small lesions on his back, chest and belly, "like little strawberry birthmarks," he said. The fears began to whisper in his mind. He had made love with other men since high school, he said, but he had never, until recently, thought that something from his sex life might kill him.

More than 70 percent of the victims have been homosexual or bisexual men. Now, 14 years after the Greenwich Village riots that spurred an intensified and continuing "gay pride" movement, AIDS is torturing not only its victims but also the whole ethic of "the gay lifestyle," which, roughly translated, has meant the freedom to live as one felt, openly, and to seek sex as one wished.

The disease, which destroys, apparently irreversibly, the body's ability to fight off infection, is spreading death and a mounting fear through the homosexual population of urban America, changing that culture's sex habits even as it spreads by way of them. Further, signs of alarm are beginning to show in the country as a whole.

Health officials believe that AIDS may be transmitted by an infectious agent, perhaps through sexual relations or through infected needles or contaminated blood. There does not appear to be sufficient evidence that the disease is transmitted through casual personal contact, and the general population is not regarded as being at high risk. Other major risk groups are hemophiliacs, who require frequent blood transfusions, intravenous drug users and, mysteriously, Haitians.

Growing Backlash

As the AIDS case load grows, homosexuals are faced with two prospects: a disease that burns in their own community like a fire in a barrel and a backlash that can be seen forming in places where tolerance held recent sway.

In New Orleans, a doctor wonders to a colleague if this is God's punishment, saying that if it is, it is not harsh enough. In Texas, preachers are calling for the closing of homosexual bars as health hazards. And in New York City, Bruce Mailman, the owner of a homosexual nightclub and a bathhouse, has nightmares about a "stalking fascism," fearing that the disease "opens the door to the most conventional and biased fears that people have" about homosexuals.

Because AIDS seems to be spread through male sexual contact, because most of the victims have been homosexual or bisexual men, because the incubation period now seems to stretch as long as three years before the symptoms appear and because no case is known to have been cured, the panic felt among homosexual men has far outdistanced the number of cases diagnosed.

By striking at men like Mr. DiAngelo, whose adult life has been a quiet reflection of the progressive reach for self-respect and for public acceptance of homosexual freedom, AIDS has struck at an ethos still in evolution.

For most of a decade and a half, while a college student and administrator and later as a chef, Mr. DiAngelo has lived in emotional monogamy with two successive male lovers, the understanding being that each partner had the freedom to seek sex with others as well.

Most nights, Mr. DiAngelo says, he would go home, but some nights he would stop in at a bar, bookstore or bathhouse where homosexuals gathered, "sometimes just for a shower and a look around," sometimes for sex. He did not use drugs or drink, except for wine at meals, he says, and sexual encounters outside his long-term relationships probably varied from 20 to 40 a year. Ten months ago, concerned by what he had heard about AIDS, he cut back on those contacts.

Then came the chills, the fever, the slight diarrhea.

'Bangladesh Diet'

"We are talking about whether this is the end of the sexual revolution," he said. "I think one thing it may lead to is a more responsible way of handling that part of our lives." The tray beside his bed is loaded with cans of juice, little containers of deodorized tincture of opium, which is a constipating agent, and a mixture of baby's rice cereal and bananas that he calls "my Bangladesh diet."

Mr. DiAngelo, a slim man whose normal weight is 142 pounds (65 kilograms), lost 30 pounds before being hospitalized, so weak he could not walk. Infused with liquids, he gained 20 back, ballooning his thighs, then lost 10 more. A plasma bag fortified with such elements as potassium and magnesium, to try to balance the catastrophic effects on his body chemistry, hangs above his bed, trailing fluid through a tube into his arm.

When he speaks of having hope, he speaks in the past tense. "I did in the beginning," he said. "There are so many things about my case that are atypical that I had very high hopes." He paused, his eyes glazed with tears, and reached for a tissue. "It sort of changes week to week," he said.

The uncertainty has induced a sexual panic in New York and San Francisco, with their large homosexual populations. "I don't think there is a thinking person in this town who isn't literally scared to death," says Larry Kramer, the screenwriter and producer of the movie "Women in Love," a founder of the Gay Men's Health Crisis, a support group for victims in New York.

"I made love the other night for the first time in five months, with someone who checked out, so to speak," Mr. Kramer said. "But I couldn't get out of the back of my mind: Is this the one that will kill me?"

Dr. George A. Pankey, head of the infectious diseases section at the Ochsner Medical Institutions in New Orleans, says that hysteria about AIDS is not justified. "Considering the sexual habits of many homosexuals, there have to be tens of thousands exposed, and there's still under 2,000 sure cases," he said.

Compounding the fear and ravages of the disease is the fact that some victims have been treated like lepers.

Ron Doud, interior designer of the New York disco club Studio 54, died of AIDS in February at the age of 34 after five months of medical care that his lover of 10 years, Richard Ruskay, says cost "probably $300,000."

What the insurance did not cover was paid by Mr. Ruskay, a restaurant and bar owner, and his memories of the reluctance of medical, transportation and funeral-service personnel to handle the case are graphic.

Principal among a range of infections that left Mr. Doud incontinent and incoherent, Mr. Ruskay said, was Pneumocystis carinii pneumonia, which seems to be the largest and perhaps the quickest single killer among the cluster of diseases that afflict AIDS victims, and which doctors treat as perhaps the most infectious.

At Lenox Hill Hospital, Mr. Ruskay said, "he was paying $420 day for a hospital room, and I couldn't get the porter to clean the room. I had to clean the bath myself." A public affairs official at Lenox Hill said, after talking with Mr. Doud's doctor, that she could not speak of this specific instance. She said that the hospital was aware of fear of AIDS among its employees.

When Mr. Ruskay moved Mr. Doud to Phoenix, Arizona, his mother's home, at her request, "the pilot wanted to throw him off the plane," Mr. Ruskay said. At the hospital in Phoenix, he said, "they weren't even washing him."

Finally, when Mr. Doud died, the hospital staff simply "wrapped him in the sheets he was in and put him in a plastic bag," Mr. Ruskay said. And the undertakers at the funeral home, "because of their fear, all they did was to pour embalming fluid on top of the sheets he was in and closed the plastic bag and put him in the casket."

In San Francisco, where the public health authorities have now posted warning signs about AIDS in homosexual bars and bathhouses, where landlords have begun evicting homosexual tenants and where the police chief issued vinyl gloves and masks to 250 officers fearful of contracting AIDS from policing the city's concentrated homosexual community, Chuck Morris is still alive at the age of 40, but his life has shrunk.

Three years ago, when he was diagnosed as having AIDS, Mr. Morris was publisher of The Sentinel, a newspaper for homosexuals. Now, he says, he has more than 30 active symptoms, has had three brain seizures in six months, is unable to work and is abandoned by friends of years' standing. Twice he has been forced out of his apartments, both times while in the hospital.

The second eviction, he said, took the form of a phone call from one of his roommates, who called to tell Mr. Morris that he would kill him if he moved back. He moved out.

"I was standing on Castro and 18th Street with a little plastic bag with all my possessions that I could grab, and all of a sudden the enormous horror of all this hit me," he says. "At that point I had been working for 25 years, and I felt that the year before I was a reasonably wealthy man. I had my own newspaper, and now here I was, standing on the street, homeless and broke, and I had no idea where I was going to stay. It was the first time that I realized that this had caused my whole world to crumble around me."

Close behind the impact of the disease itself, and the fear of it, lies the fear of the reaction from the larger, heterosexual world. In his studio in Philadelphia, Douglas James, a dance major at Temple University, sat running his hands through his short black hair.

Ebbing Strength

Since collapsing at a dance recital last December, after feeling continually fatigued, with swollen lymph nodes and a sore throat, Mr. James has felt his headaches grow almost constant as his strength has ebbed. His feet and fingers tingle. He has found purple spots on the inside of an eyelid. He has been diagnosed as having "preclinical AIDS."

Like others, Mr. James sees the reaction to AIDS as a threat to the rights and the acceptance homosexuals have gained in recent years. "I don't think we should compromise our civil rights victories of the '70s now, when a lot of people like my aunt and uncle are saying that gays deserve AIDS and ought to be locked up," he said.

At this point, the concern within the homosexual community about outside reaction appears to be more developed than the reaction itself. "We are preparing a public position paper on the subject now," said Ronald S. Godwin, executive vice president of the Moral Majority in Lynchburg, Virginia.

"We feel the deepest sympathy for AIDS victims," he said, "but I'm upset that the government is not spending more money to protect the general public from the gay plague." He was using what was at first a common term for the mysterious malady. Homosexuals, Mr. Godwin said, should be banned from giving blood by requiring them to identify themselves "on pain of law for giving false information."

"What I see," he said, "is a commitment to spend our tax dollars on research to allow these diseased homosexuals to go back to their perverted practices without any standards of accountability."

Proper Education

Fourteen cases of AIDS have been confirmed in Colorado, and "whenever a case is diagnosed in a Colorado hospital, people get a little freaked out," says Dr. David Cohn of the Denver Metro Health Clinic. "They ask, 'Can I touch this person?' and so forth. But with proper education, some become less paranoid, and once they understand the disease doesn't spread through the air, they calm down."

Fundamentalist preachers in Houston have been calling on the health authorities to close homosexual bars and to declare homosexual conduct a health hazard. In Austin, the Texas Legislature adjourned without acting on a bill that would ban homosexual conduct by reinstituting a law recently struck down as unconstitutional by a U.S. District Court judge. And in Dallas, a group of about 30 doctors and lawyers have formed Dallas Doctors Against AIDS, with the goal of helping to appeal the court's decision.

But around the nation, lines of governmental and volunteer support are growing in the face of an emergent medical crisis. In San Francisco, the city government has budgeted $4.1 million for medical and social services for AIDS victims.

But mainly, the effort to organize in support of the victims has come from those most affected: homosexuals themselves. And repeatedly, in city after city, those involved say that the human toll being exacted by AIDS is forging homosexuals into a community as nothing has before, even bringing bankers, doctors and others out of the closet.

In New York, where the Gay Men's Health Crisis has enlisted more than 1,000 volunteers and raised perhaps $1 million, in San Francisco, Chicago, Denver, Houston, New Orleans, Boston and elsewhere, organizations have formed or are forming to raise money and volunteers to provide counseling, food, housing and financial assistance to AIDS victims.

Furthermore, a fundamental change seems to be occurring in homosexual conduct, a retreat from casual and multiple sex.

"The lover scene is becoming unbelievable," said Jerry Menefee, owner of Menefee's, an elegant restaurant, bar and health club in New Orleans. "People are taking lovers, and no cheating. The gay scene is turning into a very normal situation."

Another side, however, is the angry side of a culture that feels alienated from the rest of society.

Virginia Apuzzo, executive director of the National Gay Task Force, a lobbying organization, makes a charge common among homosexuals: that the federal government, under a conservative administration, is unsympathetic and that research is underfinanced.

It is a charge rejected by Dr. Edward N. Brandt Jr., the assistant secretary of health and human services, who heads the Public Health Service. "We are not the last bit constrained, nor have we constrained ourselves, because 70 percent of these victims are gay," he said. "These are people, and they are ill. They need help. I suspect that there are more scientists in this country working on AIDS than we've had working on any other epidemic in history."

And as the research goes on, and homosexuals turn from anonymous or casual sex to partners they know and hope they can trust, Paul DiAngelo describes the dilemma they face in trying to choose among people who do not know themselves whether they carry AIDS. "It doesn't matter," he said sadly. "It doesn't matter. It doesn't matter if you know their name or not."

Agent Presumed to Be a Virus

New York Times Service

NEW YORK — According to authorities at the Centers for Disease Control in Atlanta, as of June 7, the collection of cancers and infections associated with acquired immune deficiency syndrome, or AIDS, had struck 1,552 persons around the United States, killing 597.

They say that no one with AIDS has been cured. Almost half the cases have occurred in New York City, and a fifth have been diagnosed in San Francisco and Los Angeles combined.

The unknown agent that causes AIDS is presumed to be a virus. But no one knows for sure how the disease is spread or whether the use of drugs or the number of sex partners is a factor.

Seventy-one percent of those diagnosed as having AIDS have been men who acknowledge being homosexual or bisexual. Seventeen percent have been intravenous drug users, presumably infected by contaminated needles. Seventy-eight Haitians have come down with AIDS, a puzzle to scientists. Thirteen hemophiliacs, who require regular blood transfusions, have also been infected, as well as 90 persons who seem, at first glance, to fall into none of those classes of risk. In addition, 21 children, hemophiliacs or the babies of AIDS victims, have been stricken, and some have died.

The figures are revised regularly, and health authorities say they lag half a month or more behind the actual case load, in part because only a few states require doctors to report AIDS victims. The national case load continues to grow, roughly doubling every six months.

Dr. Harold Jaffe, investigating AIDS at the Centers for Disease Control, says the disease has progressed to include a dozen people whose only apparent exposure was in receiving blood tranfusions in surgery.

The share of the case load outside homosexuals, drug users, Haitians and hemophiliacs, however, has not appeared to grow in the four-year run of the disease, remaining at about 6 percent of the total, and federal health authorities insist that AIDS does not seem to be transmitted by air or casual contact and thus poses no epidemic threat to the country as a whole.

Dr. Jaffe says even the 90 cases that seem to come from the larger population probably do not. The habits of some of those 90 were probably misidentified early, he says, and now the victims are dead. Another 9 or 10 victims of Kaposi's sarcoma, he says, show normal immune systems and probably were wrongly labeled as AIDS cases.

"There is another group of 10 or so," he says, "who say they don't belong to one of the risk groups themselves, but their sexual partners do."

In three years' time, at the present rate of infection, AIDS would claim 100,000 victims; in five years, 1.6 million. "Obviously, we all hope that this is not true, but there's no way to predict it at this point," Dr. Jaffe said.

"Somebody could find the agent tomorrow, or it could take five years," he said, and even given the discovery of the agent, a cure could be far off. "Looking for a quick fix is not very realistic."

United Press International

Four Sandinist soldiers, one carrying watermelons, stroll through the small northern town of Quilali in Nicaragua.

Nicaraguan Defector Provides U.S. With Information on Sandinist Plot

By Don Oberdorfer and Joanne Omang

Washington Post Service

WASHINGTON — The recent expulsion of three U.S. diplomats from Nicaragua was the product of a two-year plan, authorized at high levels of the leftist Sandinist government in Managua, to discredit democratic opposition forces there through a web of false accusations, according to a former official of Nicaraguan state security.

The former official, Miguel Bolanos Hunter, said that as part of the plan, he was in charge of surreptitiously filming U.S. diplomats. He also said that he had participated in operational meetings presided over by Lenin Cerna, director of the Interior Ministry's department of state security.

Mr. Bolanos defected from Nicaragua on May 7 by hijacking a small aircraft to Costa Rica. He has provided an unexpected intelligence bonanza for the U.S. agencies he had worked against for the last three years. Mr. Bolanos, who led a 60-man guerrilla unit in the final battles that brought the Sandinists to power in 1979, served briefly after the revolution as special assistant to the army chief of staff, Joaquin Cuadra.

From January 1980 until his defection, Mr. Bolanos was an official of state security. Nearly all that time he served as a counterintelligence case officer, with special responsibility for surveillance of the U.S. Embassy and Central Intelligence Agency activities, he said.

Since leaving Costa Rica a few weeks ago as part of an arrangement with the U.S. Embassy there, Mr. Bolanos has been debriefed extensively by State Department and CIA officials.

State Department officials offered to arrange meetings with Mr. Bolanos at the Heritage Foundation, a conservative research organization. Washington Post reporters interviewed him there for 13 hours recently, with no questions barred.

Identity Confirmed

Independent sources in the United States and in Central America confirmed Mr. Bolanos's identity; it was impossible, however, to obtain confirmation of the details he provided on the secretive and influential internal security apparatus in Nicaragua.

Mr. Bolanos's account includes detailed information about the role of Soviet, Cuban, Bulgarian and East German advisers and their assistance in the Nicaraguan security apparatus. Their presence is extensive, Mr. Bolanos said; two high-ranking Soviet officers and a Cuban officer were assigned as advisers to the 35 Nicaraguans in the counterintelligence section where Mr. Bolanos worked.

Many more such advisers worked with other Nicaraguan military and security forces, he said.

Among other points, Mr. Bolanos spoke of the following:

- Nicaraguan intelligence has deeply penetrated the anti-Sandinist guerrilla groups that have been fighting a U.S.-supported "secret war" against the Nicaraguan regime. The locations, armaments, personnel and many other details of insurgent activity have for many months been passed along by Nicaraguan agents who, according to Mr. Bolanos, include a close adviser to Edén Pastora, the leader of one of the three major insurgent groups.

However, Mr. Bolanos said, "a river" of arms shipments from Cuba and the Soviet Union through Nicaragua to El Salvador has all but stopped. "They now have five times more than what we had against Somoza," Mr. Bolanos said. He was referring to General Anastasio Somoza, who was the country's dictator.

- The assassination of General Somoza in Paraguay in September 1980 was planned in Managua with Cuban assistance. Mr. Bolanos said he knew General Somoza's assassin, Hugo Alfredo Irurzun, as an interrogator in Nicaraguan state security in March 1980. Mr. Irurzun, who wielded the bazooka that blasted General Somoza's car in Asunción, was slain by Paraguayan police.
- Public demonstrations and heckling during the Managua visit of Pope John Paul II in March were orchestrated by Nicaraguan state security, which placed thousands of pro-Sandinist Roman Catholics in prominent positions and kept thousands of anti-Sandinist Catholics away from the papal Mass. Mr. Bolanos said he helped control the event from an operation center near the public square in Managua, and that the pro-Sandinist slogans that interrupted the pontiff's homily had been chosen in advance by the security apparatus.
- Planning and training for the spectacular raid by leftist guerrillas at the Ilopango air base in El Salvador in January 1982 took place in a Nicaraguan facility outside Managua under the supervision of a Cuban adviser. This account, which Mr. Bolanos said he learned from the Cuban adviser, illustrates the extensive support that Mr. Bolanos said Nicaragua has given to the rebels fighting the U.S.-backed government in El Salvador.
- About 80 Soviet-built MiG fighter planes currently in Cuba have been designated for Nicaragua. Mr. Bolanos said the head of the Nicaraguan Air Force, whom be identified as Raul Venerio, had told him of the aircraft's presence.

Because of U.S. warnings against bringing MiGs into Central America, the current plan, according to Mr. Bolanos, is for the MiGs to be based in Nicaragua only after the expected electoral victory of the Sandinists in 1985.

Nicaraguan pilots who have been undergoing training in Eastern Europe will be ready to fly the jets starting next year, Mr. Bolanos said. If needed before 1985, he said, the planes would be flown on Nicaragua's behalf by an "international" group of communist pilots.

- Orlando José Tardencillas Espinosa, 19, the "Nicaraguan guerrilla" who embarrassed the Reagan administration by recanting his story in March 1982 that he had been sent by Nicaragua to participate in the Salvadoran war, was put up to the charade by Sandinist officials.

American Mother

Mr. Bolanos, 24, is the Managua-born son of an American, Gloria Hunter, and a Nicaraguan, Dr. Rodolfo Bolanos, an eye, ear, nose and throat surgeon. As a youth, Miguel Bolanos briefly attended several colleges in the United States before joining the Sandinist revolution. His parents left Nicaragua for Miami, where they now live, after the revolutionaries took power.

Because of his upper-middle-class background and American connections, Mr. Bolanos said, Cuban advisers opposed his application to join the highly sensitive state security apparatus. But the Cubans were overruled by high-ranking Sandinists who had known Mr. Bolanos as a comrade-in-arms.

Mr. Bolanos said he wanted to join the internal security service after being mistakenly detained by the secret police shortly after the revolution succeeded and realizing that his captors had more power than anyone else in Nicaragua.

But, as Mr. Bolanos told it, his secret police experience also played a part in his growing disillusionment with the revolution.

In addition, he cited the distinct minority status of his revolutionary faction, the Terceristas, within the predominantly more radical security apparatus, his growing conviction that Nicaragua is heading down a totalitarian path and, finally and apparently most deeply felt, a sense of outrage at the luxurious living and special privileges of Sandinist leaders compared to the privations suffered by most of their followers.

Privileges for 'Militants'

Mr. Bolanos himself benefited from those privileges as a "militant," or full member of the Sandinist Party. Such a status, he said, is enjoyed by only 600 to 800 people. Other accounts have put party membership as high as 4,000.

Party members are permitted to shop at special stores that offer items that are unavailable or strictly rationed elsewhere, Mr. Bolanos said.

The birth of a son last October was the beginning of his determination to leave, Mr. Bolanos said. He determined then, he said, that, as he put it: "I'm not going to allow my son to become a slave or be in a slave system." After that, he said, "my observations became more critical." Eventually he began to plan an escape.

Despite many privileges and impressive powers, internal security officers are not permitted to have passports or to travel abroad. Mr. Bolanos was nonetheless able to obtain a passport and exit permit for his wife and infant son under the pretext of visiting relatives in Costa Rica. They left Managua on a commercial airliner the morning of May 7.

As soon as he confirmed their departure, Mr. Bolanos boarded a light plane he had chartered the previous day to take him to a city near the Nicaragua-Costa Rican border. As the aircraft approached its destination, he said, he drew his pistol and ordered the pilot to continue across the border and land at an airport in Liberia, Costa Rica.

Mr. Bolanos said, and Costa Rican authorities confirmed, that he was taken into custody and charged with air piracy. Just what happened next is murky and reportedly was the subject of high-level discussions between Costa Rican and U.S. authorities. The result was that Mr. Bolanos was released from custody and left Costa Rica under U.S. auspices.

He denied that he had agreed to make public what he knew as a condition of coming to the United States. He said the idea of telling his story to journalists was his from the beginning. He is not being paid by the U.S. government, Mr. Bolanos said, nor has he been promised protection.

A spokesman at the Nicaraguan Embassy in Washington, Angela Saballos, said Saturday that the embassy was aware of Mr. Bolanos's defection, but added: "He was not in a decision-making position, so he did not have any inside information."

Atmosphere of Intrigue

Mr. Bolanos described the atmosphere in Nicaragua's security apparatus as full of intrigue, aided and in some respects complicated by the presence of the experienced outsiders from communist countries.

About 2,800 to 3,000 Nicaraguans in the state security department are aided by about 70 Russians, 400 Cubans, 40 to 50 East Germans and 20 to 25 Bulgarians, according to Mr. Bolanos. He estimated that about 2,000 Cuban military personnel were in the country, most posing as teachers.

Mr. Bolanos said the Soviet advisers — who had used Cuban-adapted manuals of the KGB, the Soviet secret police — had provided automatic pistols as a comradely gesture to Nicaraguan security officers. He described the Russians as high-ranking — with one of the two Soviet officers assigned to his section, F-2, holding the rank of colonel in the KGB — but as relatively restrained in their intervention compared with the Cubans.

Mr. Bolanos said that last year, for the first time, the Soviet Union had supplied sophisticated bugging devices to the Nicaraguans. Next year, he said, high-level Nicaraguan security agents are scheduled to attend a special KGB school in Moscow rather than be trained entirely in Cuba.

The other Europeans have less importance, according to Mr. Bolanos. The East Germans are mainly advisers on hidden microphones and technical operations, he said, and direct advisers and participants in the subsection of F-2 that operates against the West German and other European embassies. The Bulgarians, he said, have "a small center" to process information and supply occasional advice.

As Mr. Bolanos told it, the Cubans are in on just about everything and make their presence felt with a constant stream of advice bordering on directions.

The chief Cuban adviser to Mr. Cerna, whose working pseudonym is "Mayan," and several other Cubans were among those who worked on the plan to discredit the democratic opposition in Nicaragua by concocting a false conspiracy linking them to U.S. diplomats, according to Mr. Bolanos. "This is an element of the big strategic plan," he said, to eliminate all effective opposition to Sandinist rule by the 1985 national elections that are planned as an endorsement of the regime.

Agents were used to lead U.S. diplomats into suspicious situations, he said. He added that his unit of the F-2 section had been assigned to provide films of U.S. diplomats meeting Nicaraguans from democratic opposition parties and factions, the Roman Catholic Church, labor units, the press and the private sector.

For six months, Mr. Bolanos said, he was in charge of shadowing Linda M. Pfeifel, a U.S. Embassy counselor for political affairs. He supervised the bugging of her house, he said, and on one occasion, he personally searched her belongings. "I knew everything about her," he said.

A great deal of film was shot over many months with the Americans and their Nicaraguan contacts unwittingly in the starring roles, according to Mr. Bolanos. The idea, he said, was to produce a motion picture that would dramatically "expose" the supposed conspiracy.

He said the plan, which recently was named Operation Spiderweb, originally had been scheduled to be unveiled at the end of April. It was to coincide with the expulsion of some U.S. diplomats but was postponed, Mr. Bolanos said, because of the desire to obtain more "incriminating" documentation.

It was after he left Nicaragua, Mr. Bolanos said, that the security services added a final detail: the charge that Miss Pfeifel supplied a bottle of poisoned liqueur to a double agent intended to be given to Foreign Minister Miguel d'Escoto Brockmann.

That was the high point of a June 6 news conference in Managua, in which Mr. Cerna participated and where videotapes were shown announcing the expulsion of Miss Pfeifel and two other U.S. diplomats on espionage charges.

The Reagan administration, which by then had been forewarned by Mr. Bolanos, responded June 7 by closing all six Nicaraguan consulates in the United States and expelling their 21 diplomatic personnel.

ARTS / LEISURE

Mozart in Paris: A Sparkling 'Cosi'

By David Stevens
International Herald Tribune

PARIS — The business of operatic production seems to be getting simultaneously more personal and more global as the notion of a particular company or house style recedes, a case in point being the delightful production of "Cosi fan tutte" that is the main event of the Orchestre de Paris's second Mozart festival.

On the personal level, good luck for Paris that Daniel Barenboim, music director of the orchestra, is thus able to establish an operatic base and take his orchestra with him. Likewise that Jean-Pierre Ponnelle, the French stage director and designer who has worked mainly outside his own country, and above all away from the Paris Opéra, thus has a chance to show his work in Paris.

On the global level, the productions of Mozart's three principal Italian operas — those with libretti by Lorenzo da Ponte — are being shared with the Washington Opera. The "Don Giovanni" seen here last year will be seen in Washington in 1985, the current "Cosi" is scheduled for next November in the U.S. capital, and next year brings "Figaro" to complete the cycle. The productions are being seen first in Paris, then inherited by Washington, and the costs may be further amortized by letting other companies use them. In addition, the U.S. practice of private funding of such enterprises — which is spreading to Europe — is involved. American Express put up $150,000 for this "Cosi," an amount described by Martin Feinstein, director of the Washington Opera, as a "substantial" part of the total production cost.

All hands are getting their money's worth, for this "Cosi" is obviously the result of long reflection and familiarity. Ponnelle staged the work at the Salzburg Festival in 1969 and has had several goes at it since — one of them, not the most successful — at the Paris Opéra. His view of it remains the same — the joke of the men who put their lovers to a test of fidelity is a cruel joke, and it explodes in their faces. The human emotions run deep, and when all is revealed at the end it is by no means certain that all has been resolved.

But long reflection has its pitfalls, too, for if Ponnelle has over the years deepened his insight into the human drama of "Cosi," he has also accumulated the stage business and sight gags that go with the almost *commedia dell'arte* symmetry of the action. For instance, when the lovers reappear in their "Albanian" disguises, first one, then all too predictably the other, makes a move toward the wrong woman, and the second trivializes the first.

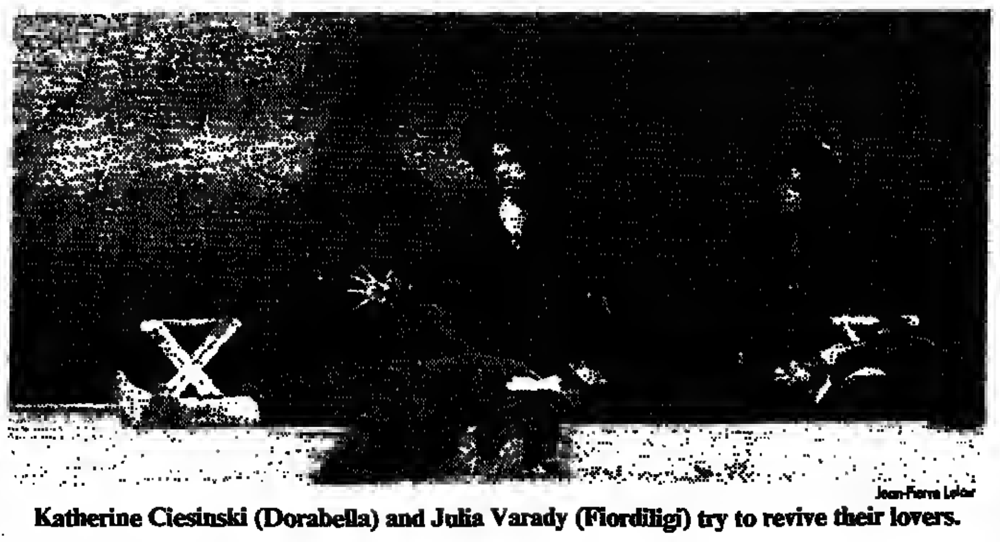
For Ponnelle the designer, this production is a triumph. Revolving side panels, sliding flats, and a marvelous pastel backdrop of the bay of Naples — augmented by splendid lighting — make possible quick changes from mirrored interiors to magical garden scenes. The flashes of color made dramatic points in the background of white-black-gray; the costumes of the men in their exotic disguises, and the bright red and green of the apples, the forbidden fruit, so enthusiastically eaten as the seductions unfold. In recent years, a number of designers have made the transition to stage direction as well, but none with more stylistic unity than Ponnelle.

Barenboim's association in public with "Cosi" has been less than Ponnelle's, but that can hardly be construed to mean less familiarity with the opera. He conducted the work — and far more of it than one usually gets in the opera house — with deep involvement and intensity. The extremes in tempi were not always convincing, and the Orchestre de Paris sometimes betrayed its lack of experience in the opera pit, but on the whole, music and action showed the result of effective rehearsal — a convincing integration of music, word and action.

The international cast was of the first order, but the first among her peers was Julia Varady, a Fiordiligi to the manner born, equal to the enormous intervals of her daunting arias and an actress of formidable demeanor. Katherine Ciesinski was a delicious, all-too-human Dorabella. The two men were neatly distinguished in personality — David Rendall a stalwart, deeply wounded (when the going gets rough) Ferrando; Stephen Dickson a bright, bushy-tailed, easily shockable Guglielmo. Carlos Feller was the Alfonso who, almost like a stand-in for Ponnelle, arranged every move with a wave of his magic cane, while Janet Perry was very convincing as the Neapolitan guttersnipe of a Despina.

If anything was missing it was the degree of spontaneity that was the special quality of another event of this Mozart festival — a continuation of the series of piano-violin recitals by Barenboim and Itzhak Perlman. Here, in four sonatas, the intensity of control deferred to the unity of purpose, and Mozartian magic reigned supreme.

"Cosi fan tutte," Théâtre des Champs-Élysées, June 23, 26, 30. Sonata program, Salle Pleyel, June 22.



Jean-Pierre Leloir

Katherine Ciesinski (Dorabella) and Julia Varady (Fiordiligi) try to revive their lovers.

Stratford's New 'Henry VIII'

By Sheridan Morley
International Herald Tribune

LONDON — The problem with "Henry VIII" — quite apart from the question of who wrote it and the fact that whoever did should have cut at least an hour of it (something the Royal Shakespeare Company has also, as usual, failed to do) — is that the title role happens to be one of the least rewarding in the entire cast list of 40. Howard Davies, whose new production on the main Stratford stage is understandably the first in 12 years, has overcome some of the textual confusions with the help of David Edgar, the dramatist-editor who got "Nicholas Nickleby" in shape for the company and is therefore accustomed to the staging of huge, unwieldy epics.

THEATER IN BRITAIN

Davies has, however, compounded the title-role difficulty by giving it to Richard Griffiths, a marvelously bulky light comedian but a player who totally lacks a sense of monarchy or absolute power, and without that there is even less of a coherent play than usual. Age is not the issue: Charles Laughton in the classic Korda film, and countless lesser actors in revivals of "A Man for All Seasons" have given us jovial young Henrys with hands not yet too badly stained by the blood from the scaffold.

Nor does it matter that Griffiths is unusually quick on the jokes, though there are few enough of those around. What does matter is that, never for a moment, not even in the final council-chamber defense of Cranmer, can he inspire the remotest terror or authority, so the play's vast broken-backed machinery of court intrigue seems to be grinding into intermittent action for no apparent reason. We get to meet a good court jester, but the king himself seems not to have bothered to show up for these festivities, and one cannot altogether blame him.

As a result, this becomes more than ever Wolsey's play: In John Thaw's fine, Machiavellian party-political performance, the cardinal occupies virtually all our attention and such plot as there is never recovers from his final undoing. Only in his "Farewell to all my greatness" is there a moment when the language soars to the back of the circle and one gets an feeling of what this play might have been if Shakespeare and/or Fletcher had bothered to get it right. As it is, if history did not inform us that Elizabeth I died six years before its first production, one might assume that the whole pompous pageant had been devised expressly to improve the sovereign grant to the Globe.

Davies's production is a firework affair, illuminated by occasional flashes of brilliance and consigned to long periods in the dark. The sinister, tricksy and very good notion of having Henry and his court arrive at Wolsey's palace in death's heads (Henry's reign being characterized by death following a loss of heads) gets us nowhere much, since it is underscored by an irrelevant and apparently — understandably — embarrassed modern-dress band that seems to have drifted in from a nearby Warwickshire folk-dancing festival.

Similarly, there is not much point in playing Buckingham's great scaffold speech as a vaudeville routine of the "and here's another thing" variety if that is all the first half of the play has to suggest the terror and political chaos of Henry's reign. The cut-out sets run on overhead tracks, suggesting a form of toy theater, but then Gemma Jones's memorably tragic Katherine (a worthy successor to Peggy Ashcroft's in 1971) works in a convention of utter reality.

All in all, the production constantly echoes the uncertainties and confusions of the text without ever cutting a path through its undergrowth. In it are some performances of considerable disappointment (such as David Schofield's lackluster Buckingham) and some of extreme fascination, not least Richard O'Callaghan's last-act Cranmer and Oliver Ford-Davies as the local Vicar of Bray, forever clambering out of sinking political ships just too late not to be noticed. But Davies has failed to set the ghastly sycophancy of the last-act tribute to the baby Elizabeth in any meaningful context.

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Seeing "Falkland Sound" (at the Royal Court's Theatre Upstairs) on the first anniversary of the battle for those islands — and only a few nights after an election won, many would say, on the officially unspoken but still all-too-audible echo of the Falklands spirit — was an educational and theatrical experience of considerable fascination. For the first half of this short, sharp, unforgettable evening consists quite simply of a recital by two actors (Julian Wadham and Paul Jesson) of the letters of David Tinker to his father, Hugh.

Tinker was a professional naval lieutenant killed in action on the HMS Glamorgan: a middle-class career sailor sent to right an Argentine wrong who discovered only when he got to the South Atlantic the utter futility of laying down his or anybody else's life for islands whose official British ownership could not possibly be sustained for more than a few more years. Tinker's ultimate cursing of the war is all the more powerful because of his background, and Wadham's performance, of a Dartmouth scholar having his eyes opened at the last to the real meaning of the blip at the end of the radar screen of Britain's colonial history, will have to be remembered at awards time.

The second half of the evening, subtitled "Voces de Malvinas," is an altogether less satisfactory attempt to pull together five representatives of Falklands folk into the kind of aimless public debate usually chaired by Sir Robin Day on late-night television.

Outmoded Genet vs. Vivid Crazy Horse Revue

By Thomas Quinn Curtiss
International Herald Tribune

PARIS — French directorial styles vary startlingly. Alain Bernardin, in presenting his new revue at the Crazy Horse Saloon, brings the audience assembled in his intimate cabaret as close to the stage as it can get. Patrice Chéreau goes further in reviving Jean Genet's surrealistic epic of the Algerian war, "Les Paravents" (The Screens), at the Théâtre des Amandiers in Nanterre. He brings the actors down from the stage to perform in the center of the audience for most of the evening. The Chéreau method might be visited upon the Crazy Horse revue to advantage, at least for the star beauties' stripteases.

THE PARIS STAGE

Chéreau, who has experimented in various theatrical pastures, from opera to cinema, has tried to relight the fires of "Les Paravents," which had Paris by the ears in 1966. Its corrosive mockery of colonialism and the French Army of the Algerian war resulted in a stormy premiere at the state-subsidized Odéon. Paratroop veterans rioted in protest, and André Malraux, then minister of culture, had to intervene to prevent the suppression of the production as unpatriotic and obscene. As directed by Roger Blin and ornamented with the exotic, ingenious decor of André Acquart, the sting had brilliant theatrical flair and novelty. It was a succès de scandale, but also of artistic invention. Now its issues are faded and its dramturgical flaws show through. To young playgoers today it must seem as remote as an indignant melodrama about the Franco-Prussian War.

Chéreau uses all four hours of text, and neglects the atmospheric possibilities of its setting, which at its first hearing aided it enormously. His imposition of bleak Brechtian alienation clips the wings of its romantic flights of fantasy, and by transporting the actors into the auditorium he has dehydrated the bizarre materials of the play. In the second half, with the actors returned to the stage, things function more smoothly and there are flashes of Genet's concept, especially near the finish in the macabre after-death episode.

The most sustained performances amid the turmoil are those of Maria Casares, Tatiana Monkhine and Hammou Graia. The majority of the other players, because of their cartoon assignments, skirt burlesque.

Genet's flame and fame may flicker lower than they did two decades ago, but they have not been extinguished, though the violent reactions to his audacious caricaturing have subsided. This once hell-raising play, which thrilled some and evoked the wrath of others, is now calmly accepted. It no longer ruffles prejudices, nor is it the masterpiece it was once acclaimed to be. Despite its noise, as the evening deepened the house was a field of nodding heads.

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Now consider the excitement that prevails in "Tonight's the Night" at the Crazy Horse. No drowsing here. A leg show? In a sense, yes, but one quite unlike any other. It has dozens of rivals on tap that induce only instant slumber.

Bernardin, creator of the famed Avenue George V nightclub, is a director of taste, acumen and resources. He has taken the stuff of the venerable, vulgar American burlesque show and, rolling up his cuffs, has made of it a theatrical art. He has not reduced its basic sex element — far from it — but he has tempered it with ironic humor.

A glorifier of international femininity, he is an adept flesh-painter whose brushes are bizarre lighting effects and color schemes. His disrobing artistes bear such aliases as Vodka Samovar, Rita Xenon, Fifi Standby, Tilda Pacific and Diana Sensation.

A Ziegfeld with a two-by-four stage, he transforms the tiny platform into a series of vivid tableaux. The space-flight number alone is worth the price of admission. Sandwiched between nude interludes are Opéra Noir of the Czech puppetmasters of Prague, and the jolly juggling jester Dieter Tasso. A sardonic note is struck in the opening, with the girls in pickle helmets and little else, singing in German of their delight in the City of Light. Tempo, surprising conceits and variety are the keystones of Bernardin's mise-en-scene. Other directors, please copy.

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The Kikkurrik Players of Los Angeles are at the Théâtre Dix Heures on the Boulevard de Clichy, playing "Gobble-Up Stories," a set of what Hilaire Belloc might term "cautionary" fables, the work of the dramatist Oscar Mandel.

There is the conversation between the caterpillar and the leaf, with the insect explaining that there in nothing personal in his nibbling. There is the rooster who believed his crowing caused the sun to rise, the trio of hated beasts who console themselves with the thought that they are not edible, a mouse threatened with demolition of his residence, and half a dozen others.

The company, directed by Shirley Matneus, is a quartet of interpreters — Mary Tiffany, Eddie Creech, Bruce Lanoil and Stefan Haves. All are excellent at the difficult art of improvisation, changing swiftly and astonishingly from one impersonation to another. Their intimate spectacle, refreshing, witty and thoroughly engaging, is among the season's happy surprises.

London Bookman With a Passion

By Michiko Kakutani
New York Times Service

LONDON — "To write books is easy, it requires only pen and ink and the ever-patient paper," Sir Stanley Unwin wrote. "To print books is a little more difficult, because genius so often rejoices in illegible handwriting. To read books is more difficult still, because of the tendency to go to sleep. But the most difficult task of all that a mortal man can embark on is to sell a book."

Book-selling is a profession we tend to take for granted. After all, even the most commercial stores provide certain pleasures. Under the glare of neon lights, amid garish display racks of paperback best sellers, we may still browse through favorite novels and newer acquisitions as though we were in a library. There is something wonderfully soothing about any store that sells books, and I often spend lunch hours in one, the way Holly Golightly used to take breakfast at Tiffany's.

Stories about such institutions as Sylvia Beach's Shakespeare and Company, however, remind us that bookstores can be more than refuges for the imagination. They can be places to meet and talk about books and to share enthusiasms, exchange ideas and even pursue scholarly searches. Today, this old-fashioned notion of book-selling would seem doomed. Everywhere, chain stores carrying the same brand-name authors have become the dominant fashion as rising rents and changing reading habits drive out the smaller, more eccentric shops.

In England, for instance, the W.H. Smith chain, with 351 branches, sells about 50 million books a year; and newsdealers and tobacconists are responsible for selling about one out every six paperbacks. What's more, a recent visit finds Charing Cross Road, that former enclave of dusty little bookstores, suffering a noticeable decline: Marks & Co., the antiquarian shop featured in "84 Charing Cross Road," the play inspired by Helene Hanff's book, went out of business years ago; further down the street, a block of bookstores has been torn down to make room for a high-rise.

Yet, happily, London still boasts several traditional and willfully personal shops that reminds us what delights truly fine book-selling affords. Located on Curzon Street in Mayfair, Heywood Hill Ltd. was founded in 1936, and over the years its illustrious clientele — which once included Evelyn Waugh, Harold Acton and the Sitwells — has come to depend on its expertise in matters of literary history and biography. John Saumarez Smith, one of the store's partners and its presiding genius, possesses a scholar's knowledge of and passion for books, and his customers turn to him as much for advice as for help in locating a rare title.

For instance, Saumarez Smith can suggest which Trollope novel a reader might like best, given his previous likes and dislikes. He is also terrifyingly familiar with the publishing history of a given book; off the top of his head, he can tell you the year in which the first edition appeared, as well as the number of copies issued and how often one is likely to come up for sale. Say it's a really grand, finely bound volume of Swift you want; he will make a few well-placed phone calls and then offer you as choice of editions at various prices. He immediately located 8 out of 12 books I'd been looking for for years, and went on to recommend half a dozen related volumes he thought I'd probably enjoy. He is so well acquainted with the tastes of his customers that he will frequently put aside a copy of a book for a particular individual, and many of Heywood Hill's 500-odd customers who live abroad depend on him to send them the best of recently published English books.

As Saumarez Smith sees it, a bookseller should be both an "entrepreneur and a schoolmaster with considerable knowledge of books he or she likes," and his passionate advocacy has made Heywood Hill a respected voice in London's literary community. The shop sells new titles as well as out-of-print ones, and a recently published book that has garnered the shop's acclaim can usually count on automatically selling as many as 400 copies. Take, for instance, the case of the trilogy written by the Canadian novelist Robertson Davies. Having read the series with great enthusiasm, Saumarez Smith was disconcerted to find that the books were not available in England, and promptly had 200 sets shipped over from the United States. The sets quickly sold out and people started placing additional orders.

Inspired by Heywood Hill's traditional approach to book-selling, one of its former employees, George Ramsden, recently decided to open a secondhand bookstore. His South London shop, Stone Trough Books, specializes in early 20th-century fiction, literary biography and travel literature. The books are all handpicked by Ramsden, who each year travels about 20,000 miles through England looking for unusual volumes and books he thinks will enhance his customers' personal collections. Although it has been open only two years, the shop is already returning a modest profit. Its success, like Heywood Hill's, remains a pleasing testament to the fact that book-selling need not only be a commerce but can also be an art.

Panda Census in China

The Associated Press

BEIJING — China has started a census of its giant pandas, the official Xinhua news agency reported. The count, begun last month, will provide data on food supply and population and help in working out measures to protect the species, it said.

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UNITED ARAB EMIRATES

INDUSTRIAL DEVELOPMENT — A SPECIAL REPORT

The Succession: A New Generation Awaits Its Test

A MOMENT OF NATIONAL uncertainty gripped the United Arab Emirates last summer when it was announced that Sheikh Rashid bin Said al-Maktum, the long-serving ruler of Dubai, was critically ill. Faced with the prospect of his loss, people suddenly became aware of the stature of the main leaders who guided the Emirates in the decades leading up to independence and for 13 years afterward.

Sheikh Rashid has recovered, but the false alarm started many people thinking about the unthinkable: the approaching handover of power in several key Gulf sheikhdoms from the founder generation of leaders to their sons, who have been groomed for office but, inevitably, have been overshadowed by their fathers.

Diplomats say that the quality of leadership provided by this upcoming generation will shape the economic life and political stability not only of the Emirates but of the entire Gulf. Lacking the stature of their fathers, the newcomers probably will resort to a disguised form of power-sharing.

In this respect, the heirs apparent, who often are Western-educated, are generally better prepared than their elders to cope with their countries' increasingly complex problems and apply modern management techniques to government.

But the importance of the founders' charisma and personal power cannot be overlooked. Such leaders as Sheikh Zayed bin Sultan al-Nahayan in Abu Dhabi and Sheikh Rashid in Dubai, after bitter inter-family struggles, have established strong political authority that has helped preserve national unity through the social turbulence accompanying independence and sudden oil wealth.

Sheikh Rashid, for example, forged the unity of Dubai Emirate before World War II, when his tribe forcibly joined Dubai and Deira, the two banks of "the creek," an inlet on the Gulf used for centuries by pirates.

His force of character, shrewd political judgment and rough sense of democracy were ingredients of Sheikh Rashid's success, his contemporaries say. But he also was not averse to the use of violence, even treachery, they add.

"He had all the necessary traits for a leader, including the tough ones," said Abdel-Wahab Galidari, a Dubai businessman whose family fortunes have risen with those of the emirate to become an international success story.

Once Dubai was united, Sheikh Rashid embarked on its development — which to him meant creating business opportunities for himself and other Dubai leaders. "He was everything — except spendthrift," Mr. Galidari said. "And he was always an entrepreneur, who treated fellow businessmen with respect."

The encouragement of outside investment was instrumental in Sheikh Rashid's strategy, even before he acceded formally to the rulership in 1955, and Dubai started exporting oil and then gas. Sheikh Rashid systematically used the emirate's limited revenues to attract business. Instead of prestige projects such as the airlines or factories favored in other sheikhdoms, Sheikh Rashid preferred business-oriented infrastructure such as port facilities or, better still, joint ventures with foreign companies.

Typical of Sheikh Rashid's commitment to business was the gold smuggling for which Dubai was notorious in the 1950s and 1960s. As long as India was a lucrative market, daily flights brought cargos of gold bars to Dubai, where they were loaded openly into the smuggling dhows at anchor in the Dubai creek. Resembling the traditional fishing and trading boats of the region in their outward appearance, the smuggling dhows were fitted with powerful engines enabling them to outrun Indian coast-guard launches.

Each shipment — legal when it left Dubai, illegal when it reached India — was financed by a syndicate of Dubai merchants, including prominent members of the ruling family. Even today, smuggling continues in Dubai — with Iran as the current target — and the profits are shared throughout the business community, including members of the royal family, diplomats say.

Sheikh Rashid puts his own money into Dubai's corporations, including the main industries and privately held utilities. The successful International Trade Center — a 39-story complex of offices, exhibition halls and hotels — is owned by the ruling family.

"Sheikh Rashid has never been interested in politics per se, but only as a means of promoting business as the key to his community's economic health," a longtime resident said.

In guiding Dubai's growth, the sheikh benefited from the shrewd advice of Mahdi Tagher, the U.A.E. ambassador to Britain. Iranian-born, Mr. Tagher got his first business notions as a young customs agent in Bahrain, before being transferred in the late 1940s by the British authorities to Dubai, where he quickly became a confidant — and fellow hard-nosed visionary — of Sheikh Rashid.

Mr. Tagher's methods are not always subtle. U.S. businessmen who lost the Dubai drydock contract in 1976 to a British company where Mr. Tagher subsequently became a board member, contend that some recent Dubai projects are too big; they suggest that the scale was dictated by the size of commissions, not need.

But Dubai's record of generating non-oil-based prosperity has been unmatched in the Gulf, and Sheikh Rashid's advisers say that world economic recovery will eventually justify Dubai's ambitious plans. They say that an upturn would restore profitability to projects such as the aluminum plant and the lavish hotels, and would even create a market

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Magnum

Unloading cargo at Jebel Ali, Dubai's artificial harbor-industrial zone project, left; above, the modern highway between Fujairah and Dubai; below, Abu Dhabi fishermen.

Magnum

Closer Union Of 7 Emirates Remains Goal

By Joseph Fitchett

THE UNITED ARAB EMIRATES, the seven sheikhdoms that were confederated 12 years ago, has been abruptly jolted out of the sheltered environment that had prevailed in the Gulf during the oil boom of the 1970s.

Major problems — such as the drop in oil revenues and the political threat from Islamic Iran — confront all the Gulf states. But the Emirates has another, more specific difficulty: a very small supply of trained, dedicated national manpower.

That problem is a major constraint for leaders trying to bring development levels closer to those of neighboring states while improving administration. The goal, a diplomat said, is to create "a real federation instead of the present loose confederation."

Sheikh Zayed bin Sultan al-Nahayan, the president of the Emirates and the ruler of Abu Dhabi (the largest and by far the richest emirate), continues to press for tighter unity among Abu Dhabi, Dubai and the other five small northern emirates — Sharjah, Ajman, Umm al-Qaiwain, Ras al-Khaimah and Fujairah. His progress so far has confounded pessimists who had predicted a short life for the Emirates in 1971. Still, ultimate economic power resides with each emirate's ruler.

But Sheikh Zayed's liberal spending policies and political skills have steadily advanced unity. Largely because of Abu Dhabi's oil, the Emirates is one of the world's richest couotries, with an average annual iocome of $25,000 per person.

Despite this wealth, there are glaring development needs. The sheikhdoms were markedly less sophisticated than most other Gulf states when Britain left the region 12 years ago, and the problems of economic development have preoccupied the Emirates' leadership for a decade.

A period of headlong expansion that might have solved some of the problems has been halted by the oil surplus — just as an age of innocence on security ended with the Soviet intervention in Afghanistan and, much more importantly, the rise of a potential military threat from Iran.

Thus, for the first time, the leaders of the Emirates find that they have to make policy choices instead of just administering unlimited budgets. This experience might be welcome in many ways, but it has coincided with "a sudden feeling of being outnumbered in their own country," a longtime resident said.

Immigrants, brought in for the construction boom, outnumber citizens by four or five to one in the Emirates, whose total population is a little more than one million. The shortage of manpower may gradually ease with training and education, especially since women are free to work unveiled if they choose.

The shock of realizing that an immigrant majority is inevitable for years to come, along with the increasing demands being made on overworked policymakers, has created a mood of vulnerability and irascibility, in sharp contrast to the carefree climate that used to prevail.

Acknowledging that the country faces its most serious problems since independence, officials — who are disinclined to talk frankly for quotation — privately predict a sharp decline in the pace of government spending and economic development.

The pause, they say, may be beneficial if it allows time for the Emirates' citizens to take firmer charge of their country's business and government affairs. The cooling-off period may delay some industrial projects that would have received semi-permanent immigrant communities. And it may allow Abu Dhabi to press for unity by supporting projects in other emirates.

Sharjah, for example, which has been in deficit since 1981, is being financed mainly by Abu Dhabi in setting up a oetwork to sell its natural gas to the small oorthern emirates.

Diplomats add that tighter government spending also means that Western business in this increasingly competitive market — now dominated by Japan and the United States, followed by West European countries — must become more price-conscious and better attuned to real local needs.

For the country's leadership, the pause may provide an opportunity to introduce more rational policies, but it is fraught with problems. Non-oil industrial projects, such as petrochemicals at Abu Dhabi's giant Ruwais

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Oil Revenue Continuing to Decline

By Sarah Searight

ALTHOUGH oil remains plentiful enough, at least in Abu Dhabi, not to greatly encourage diversification outside hydrocarbons, lower oil prices and the world surplus of crude are beginning to affect the Emirates' oil development plans.

Official figures for 1982 revenues have not been released, but estimates vary between $11 billion and $14 billion, with revenues for this year likely to be less than $10 billion. The Emirates' central bank, in a preliminary report, said in May that reduced oil revenues had led to a budget deficit of 2.3 billion dirhams.

The Organization of Petroleum Exporting Countries, in talks last March in London, gave the Emirates a ceiling of 1.1 million barrels a day despite pressure from the oil minister, Mana Said al-Oteibe, a former OPEC chairman, for 1.6 million barrels a day.

Abu Dhabi is currently producing between 700,000 and 750,000 barrels a day, Dubai about 325,000 barrels a day and Sharjah about 25,000 to 27,000 barrels a day. The other four emirates do not produce commercially.

One reason for Mr. Oteiba's concern about the OPEC ceiling is that the Upper Zakum field, which is coming on stream, has an eventual capacity of 500,000 barrels a day.

The Emirates' constitution safeguards each emirate's control of its natural resources. Thus oil production is in the hands of each emirate, and the federation has oot really led to cooperation.

There is a federal Ministry of Petroleum and Mineral Resources. But the minister, Mr. Oteiba, is an Abu Dhabian, and his federal writs have little impact outside Abu Dhabi. Dubai's oil affairs are run by the Dubai Petroleum Co., which sells much of Dubai's oil on the spot market. Sharjah's is run by the Sharjah government.

Abu Dhabi has its own Department of Petroleum, of which Mr. Oteiba is also the head. But, as a federal minister, he is barred from being a member of the emirate's executive council.

Thus, oil interests are all but unrepresented at executive council meetings, and officials display a tendency oot to show interest in them at that level. The Abu Dhabi National Oil Co., known as ADNOC, has been able to develop its own policies under its general manager, Mahmoud Hamra Krouha.

Each emirate makes its own arrangements for exploratioo and development, and the smaller, poorer emirates do so to signify their independence. Ras al-Khaimah, for instance, plans to produce 20,000 barrels a day from its oewly discovered oil field.

This autonomy also applies to production cutbacks, and thus causes a certain resentment in Abu Dhabi, where ADNOC has had to bear the brunt of the OPEC restrictions. Dubai and Sharjah argue that their oil income is smaller than Abu Dhabi's, and they therefore continue to produce oil at the old level.

Most of Abu Dhabi's oil is produced by the two major operating companies, Abu Dhabi Marine Operating Co. (ADMA-OPCO) and Abu Dhabi Company for Onshore Oil Operations (ADCO).

ADNOC has a 60-percent share of the equity of each company. Other shareholders in ADMA (established in 1977) are British Petroleum, Compagnie Française des Pétroles and the Japan Oil Development Co. (JODCO). Other shareholders in ADCO are British Petroleum, Shell, the Compagnie Française des Pétroles, Exxon, Mobil and Partex.

The bulk of the cuts have been made offshore, from ADMA's production, which has declined from a peak of more than 500,000 barrels a day in 1980 to an allowable ceiling of about 200,000 barrels a day

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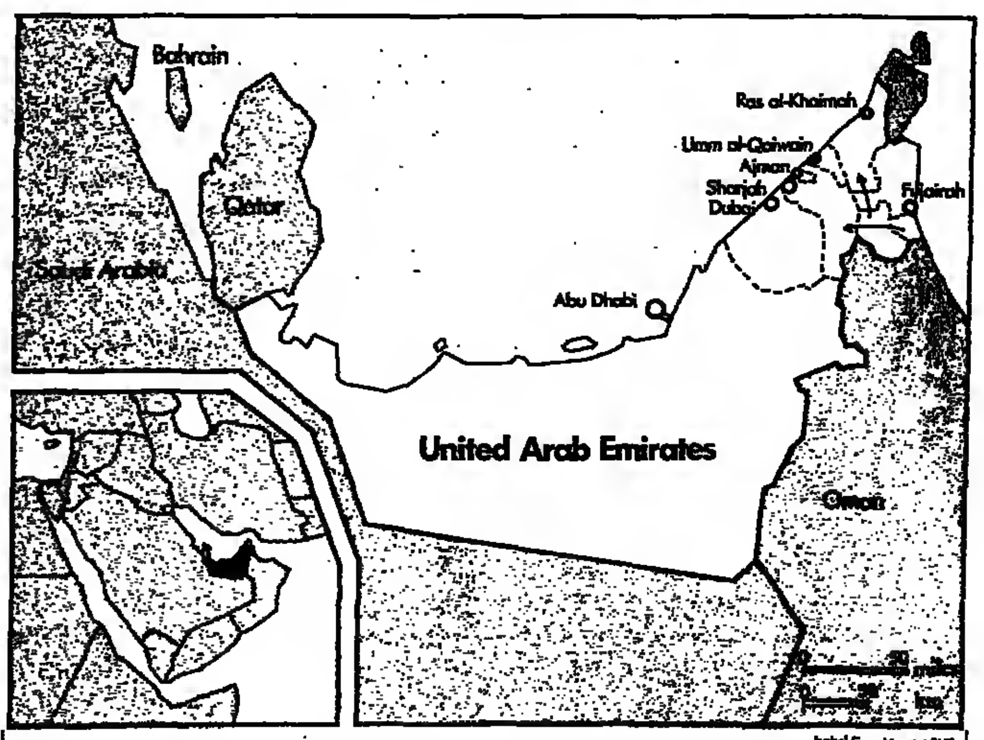

Isabel Cura-Moutet/IHT

Gas Production: Harder Look at New Projects

THE PROSPECT of further cuts in oil production and revenue has prompted oil companies to give a long, hard look at the Emirates' downstream industry, both domestic and export-oriented. As a result, the relationship between producer and buyer seems to be shifting, with the buyer less keen than in the past to be involved in expensive development projects in order to have access to the hydrocarbons.

The scrutiny comes as much from the major oil companies as from the different producing companies in the country, especially the Abu Dhabi National Oil Co., known as ADNOC.

In the past, the majors have been anxious to join in oil development projects in order to have guaranteed access to the crude, but now they talk of "decoupling," and national oil companies are having greater difficulty persuading them to look at their projects.

Much of the Emirates' downstream activity is governed by gas. The U.A.E. is the only exporter of liquefied natural gas in the Gulf, and is second only to Saudi Arabia as an exporter of liquefied petroleum gas. Gas has been a growing asset; exports for the first half of 1982 rose 38.4 percent from the same period in 1981, to a total of $490 million.

But gas production is still governed by oil production; most Gulf producers, including the Emirates, are dependent on associated gas for their utilities and gas exports.

In Abu Dhabi, high-quality gas is produced from the onshore fields in association with oil, at an average rate of 456 million cubic feet a day. It is sent through GASCO's extraction plants to recover gas liquids and on to Ruwais, which produces LPG for export to Japan.

Methane is extracted at the fields and used to generate power for Abu Dhabi. Non-associated gas has been discovered at Thamama C, which is due to go into production next year at an average rate of 450 million cubic feet a day. It will be piped to Ruwais, to be used to supplement fuel and feedstock in the industrial zone, which is currently vulnerable to fluctuations in oil production.

More associated gas is produced offshore from ADMA's fields, all of which is sent to the Abu Dhabi Gas Liquefaction (ADGAS) plant on Das Island, the only LNG plant in the Gulf.

The plant is technically complex. Technicians who had to take steps against corrosion and low temperatures — the ground around the plant has to be artificially heated — learned recently that Das Island is in an earthquake zone. Storage tanks being built for ADGAS by M.W. Kellog Co., a U.S. firm, have each been built on 325 piles, each 60 meters long.

ADGAS sells its LNG to Tokyo Electric Power Co. In the past, it has been priced at parity with crude oil, but the soft market has brought Japanese complaints of overpricing. Amid increasing danger that Indonesia or Alaska might undercut Abu Dhabi, ADGAS has been obliged to accept a price reduction from $6.17 to $5 per million British Thermal Units.

In Dubai, DUGAS is planning a $100-million expansion program in its offshore fields, where production has been declining. At the moment it produces 1,200 to 1,300 metric tons of LPG daily. It hopes to raise this figure by 10 percent.

Also in Dubai, ARCO, a consortium of Atlantic Richfield and Britoil, struck a reserve of gas condensate last May in its Margham field. The discovery, estimated at 4.2 trillion cubic feet, probably has the same structure as Amoco's Sajaa field in Sharjah, experts say.

Fluor Corp. of the United States has won a contract to provide a gathering network and separator treatment plant. Initially, the Dubai government, which owns the gas, plans to reinject it, but the DUGAS plant at Jebel Ali might use some of it.

Development of the major discovery at Sharjah's Sajaa field is further along than at Margham, despite some initial haggling between the Sharjah government and Amoco, which owns the gas. In 1981 Amoco found a reservoir of 10 trillion cubic feet of gas, along with some condensate. It now sells its output from the reservoir — 25,000 barrels a day — to the government at $3.50 per million BTUs.

Meanwhile, the Emirates General Petroleum Corp., which distributes petroleum products in the northern emirates, is supervising a $190.6-million project to use the gas to fuel power stations in the northern emirates.

A subsidiary of West Germany's Ruhrgas, Pipeline Engineering, has recently been appointed design consultant for the distribution network, under an $11-million contract that also includes six new power stations. Until the project goes into effect the gas is being flared. Four-fifths of the BTU energy in Sajaa is dry natural gas, and the remainder is associated gas. Six international consortia recently submitted bids to the Sharjah government for a $250- to $300-million LPG project that would include piping the associated gas from Sajaa to the east coast, thus avoiding the Strait of Hormuz.

One of the chief uses of the gas is for power generation and the often associated water desalination, and demand is rising annually by about 15 percent. Demand for both power and water doubles in the summer, mainly for air conditioning and for irrigation.

Some problems may arise from the lack of controls on power and water consumption. Water costs about $3 a metric ton, but it is free in Abu Dhabi, for instance, to domestic users. Underground aquifers have been dangerously depleted and are no longer sufficient even for local needs.

With the fall of oil prices the country can no longer afford such largesse, according to Ahmad al-Tayer, assistant undersecretary at the Ministry of Finance and Industry.

Mr. Tayer also argued, at a symposium on Gulf coordination that took place in March in Sharjah, that oil production should be tailored to specific investment budgets. These, he said, should be much more carefully scrutinized than in the past.

At present, there are five separately organized utility departments that supervise power and water. There has been talk of a national grid, and Abu Dhabi's power and water project at Tawilah, near the Dubai border, would have been the best candidate for initiating such a system. But that would

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BASIC DATA

THE UNITED ARAB EMIRATES (formerly the Trucial States) is composed of seven emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Qaiwain. Six of the seven formed an independent state on December 2, 1971, when their individual treaty relationships ended with Britain; Ras al-Khaimah joined the other six on February 10, 1972. The approximate area of the U.A.E. is 77,000 square kilometers; its population is 1,040,275, including foreign workers. The UAE currency: 1 Dirham (Dh) = $3.67.

Abu Dhabi (area: 67,350 square kilometers; population: 449,000) is the largest emirate. The Abu Dhabi government controls oil, gas and petrochemical operations in the emirate through the Abu Dhabi National Oil Company (ADNOC), which has majority shareholdings in the several oil operating and gas treatment companies. Dubai is the second largest emirate (area: 3,900 square kilometers; population: 278,000). The town of Dubai is the main port for the import of goods into the U.A.E. and has a wide re-export trade to other Gulf states. Sharjah (area: 2,600 square kilometers; population: 159,000) has declined from its position 50 years ago when it was the principal city in the area. It became the third oil producing emirate in 1974, following the discovery of offshore oil by the Crescent Petroleum Company, a consortium of six U.S. companies. Ras al-Khaimah (area: 1,700 square kilometers) has a population of 73,700 of which more than half live in the city. Ras al-Khaimah is an ancient seaport near which archaeological remains have been found. It is now developing as the most agricultural of the emirates, producing vegetables, dates, fruit and tobacco. Oil exploration is currently being conducted both on and offshore. Fujairah (area: 1,150 square kiometers with a population of 32,200) is the most remote of the seven emirates. It lies on the Gulf of Oman coast and has only been connected by a modern road to the rest of the country since 1975. Although exploration work continues, there have been no hydrocarbon discoveries in the emirate. However, there are some chrome and other mineral deposits. The two smallest emirates are Ajman (area 250 square kilometers; population: 36,100) and Umm al-Qaiwain which has an area of 750 square kilometers and a population of 12,300.

UNITED ARAB EMIRATES

Regional Security, Economic Hopes Give Impetus to Gulf Cooperation

By Geoffrey Weston

THE UNITED ARAB EMIRATES is an enthusiastic if not so active member of the Gulf Cooperation Council, set up in Abu Dhabi in May 1981 to coordinate defense and economic development in the region.

The other members are Kuwait, Bahrain, Qatar, Oman and the colossus of the organization, Saudi Arabia.

The six started with the advantage of having much in common, particularly Islam and a deep-rooted monarchical system of government. Most GCC members have a great deal of money per capita, depend on their oil reserves for revenues, and import the vast majority of their food and their work forces.

The links that had existed between the countries for years were not formalized before the Gulf war for fear that such a move would antagonize Iran — especially under the shah, who had appointed himself policeman of the Gulf — or Iraq. But both countries have been too preoccupied with fighting to regard the formation of the GCC as an unfriendly act.

The U.A.E. had good reason to fear the shah, who seized the Tumb Islands from Ras al Khaymah and the island of Abu Musa from Sharjah as the U.A.E. was formed in 1971.

But wariness of the shah was nothing compared with the fears about Iran shared by all members of the GCC: Ayatollah Ruhollah Khomeini has threatened to export his fundamentalist Islamic rule to lands elsewhere in the Gulf and to punish them for supporting Iraq.

Iranian planes have carried out punitive bombing raids on Kuwait, the nearest member to the battlefront, and Iranians were behind the attempted coup in Bahrain in December 1981 aimed at setting up an Islamic state on the Iranian pattern. Six of the plotters were caught carrying arms through Dubai's airport on their way to Bahrain. Tehran radio made veiled threats to the U.A.E., although a senior Iranian official later went to Dubai to calm the feelings of alarm.

These events speeded GCC moves to coordinate defense and security measures. By February of last year the members agreed that a defense pact was necessary, but so far this has taken the form only of bilateral treaties, rather than a single multilateral one, because Kuwait insists on maintaining a more nonaligned status. Behind the scenes there have been urgent talks on a combined army, a $1-billion Gulf arms industry and an intervention force that in GCC views would obviate the need for the U.S. Rapid Deployment Force.

Defense cooperation is complemented by moves toward greater self-reliance in other fields and common-sense measures to pool resources to avoid wasteful duplication and unnecessary competition. A common industrial policy is in the pipeline.

The U.A.E. can never hope to achieve self-sufficiency in food, but agricultural development pooled with that of the other GCC states can help reduce its heavy dependence on imported food. An optimistic plan has been proposed to make the Arab world self-sufficient in agriculture by the end of the century through a $10-billion investment fund partly financed by the the GCC. The council was launched, after all, as a form of common market, with the ultimate aim of political and economic integration.

On March 1 the GCC took the first steps toward reducing barriers between members' economies. Under an agreement signed in December there will no longer be tariffs on goods that have at least 40 percent of their value added in a member country — not in itself a far-reaching act, since trade within the GCC is small. Agreement has been reached in principle to relax capital flows to enable GCC nationals to invest freely in one another's countries in agriculture, animal husbandry, fishing, industry and contracting, with governments reserving 25 percent of the equity for their own citizens. Smaller members like Qatar, however, are taking a hard look at this idea.

A further important measure is the Gulf Investment Corporation, which is to be set up with initial capital of $2.1 billion. Each member is to contribute an equal share, initially 20 percent and the balance within five years. Much of this fund is intended to coordinate work on roads, transit systems, telecommunications and other infrastructure.

The Organization of Petroleum Exporting Countries is still, despite its present disarray, dominated by the GCC group. Following a ministerial meeting in Oman last October, the GCC issued a joint if ineffectual warning to other OPEC members that punishment would follow if members did not stop ignoring quotas and price levels.

The GCC countries have an organization to coordinate their oil interests if OPEC should ever disintegrate. They have already agreed that members who have no natural gas should be supplied by those who have, in order to speed industrial development. In an emergency, they would share oil supplies as well as a pipeline that is to be built to Oman's Arabian Sea coast in case Iran or another power blocked the vulnerable Strait of Hormuz, through which nearly all GCC exports are shipped.

The U.A.E. is represented in a GCC committee of national oil companies, set up to coordinate marketing, refining, training and exchange of information. It is not GCC policy to supplant other Arab or international bodies, although, if occasion demands, it has a mandate to do so. Other GCC committees are concerned with industrial cooperation, finance and economic cooperation, transport and communications, technology and social policy.

Fiscal, monetary and central banking policies are to be realigned. A common currency, a Gulf dinar, is seen as a prerequisite for economic union. This has been tried before: In 1976, the U.A.E., Kuwait, Qatar and Bahrain sought to issue a common dinar, and the U.A.E. tried to realign its currency with Bahrain to make the two interchangeable at an agreed-upon rate. Neither attempt succeeded.

New, more modest moves are planned to monitor developments in the money markets to try to insulate them from disturbing external factors and to bring exchange and interest rates more into line. Meanwhile, central banks are scheduled to start standardizing banking controls and supervision.

The federal character of the U.A.E. has resulted in duplication of resources — an expression of the rivalry between the country's seven, largely independent rulers. Industrial development, ports and airports have overlapped, providing an object lesson to more sensible planning in the wider context of the GCC. At the same time, worries have arisen that the greater spending power of richer countries like Saudi Arabia and Kuwait could result in widespread purchases of U.A.E. property if the barriers to free market dealing were opened, together with the abolition of tariffs, customs barriers and similar measures.

U.A.E. port authorities have reacted less than enthusiastically to Saudi proposals to codify port procedures, which would curb local authorities' power. One reason for this reaction is said to be the Saudis' lack of experience in transshipment, which has been at the heart of Dubai's economic well-being for generations. Dubai has traditionally operated on a basis of trust between port officials and the captains of cargo vessels, many of whom they know well. Replace that atmosphere with rules imposed by remote functionaries, Dubai port officials say, and problems would arise.

Conserving Past: Current Needs Interfere

RULERS OF developing countries often back efforts at historic preservation as a way to promote nationalistic pride and enhance their own legitimacy. But citizens are not always easily persuaded that the value to future generations of their sun-baked brick house in the center of the city is greater than the money they would make from selling it.

In the United Arab Emirates, preservation efforts have been regarded both with this kind of suspicion and with the kind of magnanimity shown by rulers such as Sheikh Zayed bin Sultan al-Nahayan of Abu Dhabi, the president of the U.A.E. For many, the past is light years away — irrelevant and unrecognizable. No Arabic word has the connotations of the English "interesting"; the wanderings and scratchings of archaeologists, anthropologists and ecologists, most of them foreign, strike many local residents as yet another form of interference.

But it is "interesting" to note a new mood of conservatism and preservationism in certain circles of Dubai and Abu Dhabi. After a decade of hectic development, the fall in oil prices has given some educated local residents a chance to catch their breath, look hard at the development that has so transformed their land and, at a time of uncertainty, search again for the roots of a past that has almost been destroyed.

Sheikh Zayed has shown a deep determination to preserve the desert way of life. Abu Dhabians are encouraged to keep camels. There are far more camels in the emirate now than there were in pre-oil days, when they were a measure of a man's wealth. Many houses in Abu Dhabi city have three or four camels belching outside the back door, fed on subsidized alfalfa and subsidized dates. Their owners like to hobnob with the sheikhs at camel races organized by Sheikh Zayed. Only the camels belonging to the ruling family win, but it doesn't much matter. Betting is frowned on by Islam. It is the company that counts.

The same is true of falconry. Peregrines and ospreys are expensive, but owning one brings entry to the sheikhly hunting club. Sheikhs, including Zayed, are known to reward lesser kinsmen for their loyalty with magnificent birds. There is nothing quite like seeing the driver of a Maserati get out with a peregrine on his wrist.

Foreigners find Sheikh Zayed less approachable than he was in pre-oil days, but this aloofness does not carry over to his own people, for whom the old desert relationship still holds. It is a relationship the sheikh values highly and is one of the strengths of his regime. If it were not for Sheikh Zayed's generosity, the traditional pleasures would have succumbed to the video game and the sports car, and the country would be not only culturally poorer but politically less stable.

On the whole, this fondness for the past has not yet enveloped wildlife in the emirates. Al Ain and Dubai have their zoos, but in the desert and the mountains the oryx has long since vanished, the gazelle is nearly gone and the cats remain out of sight.

But great efforts have been made to establish and protect the country's history. Within the elaborately (and somewhat inaccurately) restored walls of Abu Dhabi's fort is the Center for Documentation and Research, established in 1968 under the direction of an Egyptian, Mursi Abdullah, with the patronage of Sheikh Zayed. It collects archival material — such as a foreign agent's report on gunrunning — and seeks to preserve the oral tradition. Mr. Mursi and his staff seek out older citizens and encourage them to recount their memories, whether of boat-building, pearling or irrigating. One staff member, the historian Frauke Heard-Bey, has just published a valuable account of the Emirates' historical, social and economic background.

In an area so committed to modernization, history has not been a top priority. Personal patronage, even Sheikh Zayed's, is generous but erratic and insecure. Archaeologists' work is regularly threatened by ignorance or by what seem like more important priorities. Third-millennium tombs at Umm al-Nar are overshadowed by a refinery and power plant; they were attacked by bulldozers before a monstrous wall was built to defend them. In a children's park in Al Ain, archaeologists race against

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Gas Production Projects

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infringe upon the concept of independence for each of the Emirates.

Tawilah's capacity had been set originally for 3,000 megawatts. That figure has been drastically scaled down, initially providing Abu Dhabi with 210 megawatts of electricity and 24 million gallons of water a day in the first phase.

Tawilah must be functioning by the mid-1980s to prevent power shortages. Abu Dhabi's electricity capacity in 1981 was 1,208 megawatts; some forecasts predict that the figure could rise to 2,272 megawatts by 1985.

At present, three major power stations supply Abu Dhabi's needs. One is in Abu Dhabi itself, another at nearby Umm al-Nar and the third is inland, at Al Ain. A fourth, Bani Yas, began operations in May, with a capacity of 600 megawatts and 38 million gallons of water.

Dubai's demands for power are met by the Jebel Ali power station, and DUBAL supplies back-up facilities. DUBAL also provides nearly half of Dubai's water — the rest comes from the fast-diminishing underground aquifers.

The most glamorous of the Emirates' industrial areas is Ruwais. The master plan was drawn up by Arthur D. Little. The planners decided that Abu Dhabi's oil production would justify a second refinery and gas fractionation plant, since the Umm al-Nar refinery, with 15,000 barrels a day, was already meeting most domestic needs.

A site was chosen at a desolate spot on the Abu Dhabi coast, about 250 kilometers west of Abu Dhabi city. The site was chosen because it was one of the few spots with deep water. It is not far from the ADCO oil terminal at Jebel Dhanna, and includes an industrial petrochemical zone with a refinery, gas plant, power and desalination units and a fertilizer plant, due to begin operations later this year.

The refinery, wholly owned by ADNOC, can process 120,000 barrels a day, mainly for the export of super-regular gasoline, jet fuel, diesel fuel, fuel oil and sulfur. With the completion of the Umm al-Nar refinery extension, ADNOC will be refining 20 percent of its crude oil production, although at the moment Ruwais is working at a 76-percent capacity and its own extension has been postponed.

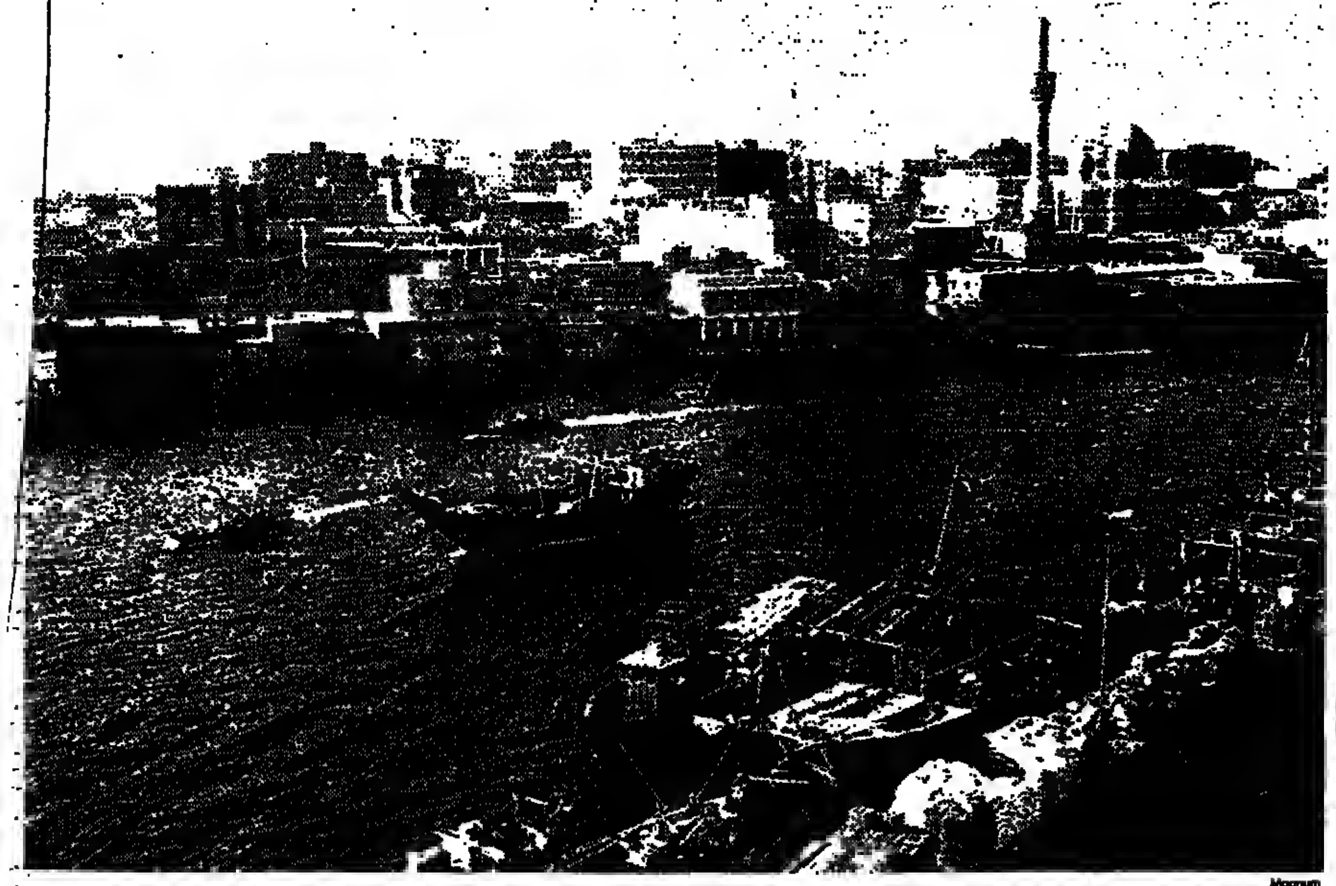
The gas plant is co-owned by ADNOC, Shell, Compagnie Française des Pétroles and Partex.

The methane drawn off in the fields will be piped in the future to the fertilizer plant for feedstock. The fertilizer plant is owned by ADNOC and CFP and is due to produce 1,000 metric tons a day of ammonia and 1,500 tons of urea, most of which will be exported to Pakistan.

The refinery expansion is not the only project on the Ruwais shelf. A scaled-down hydrocracker is under way, but lube oil and petroleum coke are gathering dust because of uncertainty not only about oil revenue but also about supply and demand in the region.

A new engineering consultancy group, the Arab Engineering Co. (AREC), set up with headquarters in Abu Dhabi by the Organization of Arab Petroleum Exporting Countries, is studying a number of downstream projects that have been talked about over the years but now need to be appraised more carefully.

UNITED ARAB EMIRATES



Magnum

A dhow moves up Dubai creek, the Emirates' major port.

A Closer Union Remains Goal

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development project, may have become unproductive because of slumping world demand.

And even if development budgets can be pruned oow, changing business expectations may become a political problem, key aides to local rulers say.

Because talented young people often prefer business to government, decisions fall on a bandful of competent officials around the rulers and, particularly, around Sheikh Zayed. Many of these overworked officials deliberately make themselves inaccessible, diplomats and businessmen say.

Perhaps as a result of the change in government focus, Sheikh Zayed is handing over more day-to-day responsibility to his son, Crown Prince Khalifa. But decisions are being made, and diplomats say they reflect an increasingly realistic appreciation of long-term opportunities and risks for the country.

Security, for instance, a high priority since the Iranian revolution and the Iran-Iraq war, is finally getting urgent government attention.

Without public announcement, the Emirates recently bought its first major U.S.-made weapons system, five reinforced batteries of improved Hawk anti-aircraft missiles. Shortly afterward, the government ordered French-made Mirage 2000 interceptors.

U.S. officials explained that it would be pobitically difficult to try to provide advanced U.S.-made planes. They added that the French-made planes can operate compatibly with other U.S. air defense equipment.

Many planners in the Emirates voice bope that the Gulf Cooperatioo Council, whose six member-governments already cooperate on internal security, may ultimately provide a regional air defense umbrella that would include Saudi Arabia's AWACS radar planes.

But Emirates leaders have asked Saudi Arabia to proceed slowly with military integration, to allow the country time to develop enough local strength so that it is not overwhelmed in a military alliance.

An Emirates official rejected any highly visible military cooperation with U.S. forces. "It could trigger the kind of Iranian provocations or even raids; in other words, create the threat we want to guard against," he said. "Too often, when the West has said it wants to protect the Gulf, the offer conceals a plan to protect Western interests, oot ours."

Albeit reluctantly, the U.A.E. depends ultimately on U.S. carrier-based forces in the Indian Ocean. But the immediate threat, as planners in the Emirates see it, is the risk of air raids by a small number of enemy planes that would be large enough to sabotage the oil industry, perhaps, but not necessarily large enough to trigger a U.S. retaliation against the aggressor.

The effort therefore is directed mainly toward warding off a small air raid or blunting the first wave of a bigger attack until U.S. reinforcements can arrive.

For the foreseeable future, the planners say, this is the maximum conceivable level of defense for the country. "The constraint is oot budget; it is manpower," an official said.

The problem of too few people is a growing coocern in political and economic areas as well.

The population issue feeds local enthusiasm for the Gulf Cooperation Council, which groups the United Arab Emirates with Saudi Arabia, Kuwait, Bahrain, Qatar and Oman. Just as the regional alliance buttresses security, "the GCC is also expected to help reinforce the country's Arab dentity," a government adviser said.

But the Emirates is unlikely to undertake large-scale naturalization of trusted Arab immigrants, mainly because citizens fear losing out to better-edicated, competitive oewcomers from poorer Arab countries. The exceptions to this are the oumerous Yemenis who have been naturalized because Sheikh Zayed traces his tribal origins to Yemen, across the Arabian Peninsula from the Emirates.

For the foreseeable future, only large immigrant communities can enable the Emirates to maintain its present ecooomic status. Indeed, the country will oeed even more immigrants for further industrialization. Realizing this, Abu Dhabi is retreating from ambitious plans for petrochemical plants in Ruwais.

This trend is reinforced by the slump in oil revenues. Abu Dhabi — whose support for Saudi Arabia's oil politics helps cement the GCC and refect the similar long-term interests of two countries with immense oil reserves — has helped bear the brunt of OPEC cuts to protect price levels.

Oil and gas revenues are said to have declined sharply last year from 1980 levels, when oil and gas exports were worth $20 billion. Oil prices were higher then, of course, and U.A.E. production was 40-percent higher than last year's estimated 1.2 million barrels a day. Official figures for 1982 revenues have not been released, but estimates vary between $11 billion and $14 billion.

Victims of this enforced austerity will include foreign aid recipients. This reflects another change from the first flush of independence, when Sheikh Zayed gave lavishly, apparently in hopes of promoting Arab unity by setting an example of generosity. The Emirates used to lead the world in per capita giving.

Nowadays, charity begins at bome, ootably in economic development. The Gulf Cooperation Council may provide a framework for more rational regional ecooomic planning, although the United Arab Emirates, with its oil wealth, was initially loath to abandon its own industrial plans in favor of investments in common projects. That seems bound to change.

A surviving investment — in Abu Dhabi as elsewhere in the Gulf — is gas gathering. "Gas-fueled industrialization is the only formula that makes long-term economic sense for us," an oil company official said.

In Abu Dhabi's case, the search is directed toward gas on the Gulf floor. France is playing a prime role in this project, a fact that helps explain why French people now make up the largest Western expatriate community in Abu Dhabi.

The problem for planners, however, is to redirect Emirates investors away from import businesses that offer quick financial returns and toward longer-term investments that will diversify the country's economy.

It is a tough order. Rich merchants have a habit of staying liquid, looking for new short-term profit opportunities. An incentive to longer-term thinking would be to institute more planning goals that would be compatible with the free enterprise spirit in the Emirates.

But centralized planning has been resisted by Abu Dhabi's partner emirates, which still control their own affairs. As a result, markets for locally manufactured goods are difficult to predict, so investments are oot tempting.

The Gulf Cooperation Council is designed to belp correct these limitations by reducing tariff barriers in the Gulf, easing flows of funds and labor, and promoting regional development, notably through the Gulf Investment Corporation.

But many Emirates businessmen are wary of the council. "It will enable the big fisb to swallow the small," one said. An attempt to abolish tariff barriers has met with resistance, even though the amounts are small. In any case, only about 5 percent of imports and exports in the Gulf are exchanged among council member-countries.

Even inside the Emirates, oew rules require local people to act as agents for foreign companies. These rules bar competition from other Gulf nations and, it appears, even restrict agencies in each emirate to their own citizens. It remains to be seen, for example, whether Dubai merchants will continue to be able to act as agents in Abu Dhabi.

As the business class becomes larger, the risk of commercial friction is more liable to poison the overall atmosphere. Even if the country can maintain its education and health and other welfare programs, it is unclear how the businessmen, who still depend on government spending, will adjust.

Some merchants are calling for firmer plans and protectionism to stimulate local manufacturing. Khalif Habtoor, a Dubai-based engineer who heads a small industrialists' association, has called for external tariff barriers to protect the fledgling local industry. "The politicians still don't grasp the economic facts of life," be said.

Across town, a different view prevails in the tower offices of Abdel-Wahab Galidari, a local tycoon whose leisure and office complex, which includes a popular ice-skating rink, has just filled after slow growth for several years.

In his modern offices, a staff of more than 30 traders watch data screens, buying and selling stocks and trading currencies all over the world, but especially in the United States and Asia.

Despite his grasp of these foreign opportunities, Mr. Galidari said, "I'm bullish on the five-year outlook. The next boom — and there always is one in the Gulf — will find us ready to take advantage of it fast."

This brand of optimism — natural enough on the strength of the Emirates' first decade — may be a potent factor in helping the country live with its dilemmas while heading toward a new long-term economic balance.

Oil Revenue Continuing to Decline

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but lack of storage capacity has reduced production to about 65,000 barrels a day. The company reckons that this is as far as it can eut productioo witbout adversely affecting the installations.

These include a gas liquefaction plant on Das Island, which produces liquefied natural gas for expon under a 20-year contract to Japan. Das Island is also running below capacity despite the addition of cap gas from the Khuff formatioo.

Onshore, ADCO has been less affected by cuts because of commitments to Abu Dhabi's power and desalination plants. It is producing at a rate of about 500.000 barrels a day. This may soon be raised as the Shah field, which will produce about 50.000 barrels a day, gradually comes on stream. ADCO's small Sahil field, meanwhile, has been temporarily closed down.

The big question on production, however, involves ZADCO, the newest operating company. ADNOC owns 88 percent and JODCO 12 percent of ZADCO's concession on the Upper Zakum stratum. The project was devised in the mid-1970s and would be inconceivable now. It has proved to be particularly costly — $4.5 billion — to develop because of the tighness of the formation.

As a result, an unusually large number of wells have been drilled and water injections have been used to maintain pressure. Initial capacity was set at 500,000 barrels a day, and test runs have been under way since the end of last year.

Wellhead platforms at the concessioo are arranged to the north, south and west of a central production complex and connected by underwater pipelines. The central complex is on Zirku, a barren island between the Emirates and Iran, where desalination and power plants, housing, separators and storage tanks have been built.

By the second half of this year, it was hoped, the development would be producing an average of 100,000 barrels a day from the north, south and central complexes, but this is unlikely oow to rise above 40,000 barrels a day; the western complex will not be ready uotil the end of 1984. It is being sold below the official price because of varying quality.

New concessionaires as well as ADNOC are undertaking more exploration in Abu Dhabi than elsewhere in the Gulf, owing to fairly generous terms offered by the government; and there is not much visible slackening in exploration programs. ADNOC plans to double Abu Dhabi's production capacity to 2.2 million barrels a day by the mid-1980s, divided between offshore and onshore, but the day when all this capacity will be used appears to be further off than before.

The most oromising area for exploration is the Ghasha-Bu Tini structure. ADMA is drilling one well, Nasr 7, to a record 17,425 feet (5,175 meters) into the Khuff formation, where discoveries of gas and condensates have recently been announced. ADCO has extensive concessions in Abu Dhabi territorial waters, where exploration drilling continues.

In the other emirates, the recently discovered Sajaa field in Sharjah is producing about 25,000 barrels a day of condensates. Under a recent agreement between the leaders of Sharjah and Amoco, this is to be increased to 33,000 barrels a day and eventually to 55,000 barrels. Only 30,000 barrels a day of this will be used to provide associated gas (at present being flared) for EGPC's scheme for power generation in the northern emirates, for which bids have just been submitted by six international consortia.

In Dubai, Arco, an onshore concessionaire owned two-thirds by Atlantic Richfield and one-third by British National Oil Co., discovered gas and condensates in the Margham field in May of last year. Earlier this year, Dubai awarded a new offshore concession to a consortium of Taylor Woodrow, Cluff Oil and Saxon Oil and another to KCA International of Britain.

Oil has been found in Ras al-Khaimah. Gulf Offshore Ras al-Khaimah announced in early February, and production of 20,000 barrels a day is intended, possibly by the beginning of 1984.

In the current oil crisis, the immediate problem is that of liftings. Most of Abu Dhabi's oil goes to Japan, and contracts with the Japanese seem to be up to date. They may eventually be affected by a project for oil tankers returning from Japan to be loaded with fresh water.

Major oil companies with equity holdings in the operating companies are having great difficulty in disposing of their shares of expensive crude in soft market conditions. ADNOC, in renewing agreements with the Japanese earlier this year, was obliged to ease contract restrictions concerning carriage of crude on expensive ADNOC tankers.

Provided the oil price sticks and production remains at its present level, liftings and production will probably remain level, but the balance remains precarious.

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UNITED ARAB EMIRATES

Shift in Foreign Investment Patterns: A Move To Long-Term Commitments

By John Whelan

THE DROP in crude oil prices has damaged the confidence of many would-be investors in the Gulf, but those with long-term *commitments to the region continue to* come forward. The U.A.E. is often thought of as a more congenial environment for foreign investors than richer Saudi Arabia or Kuwait.

In Dubai and Sharjah, as well as in the poorer northern emirates, it used to be possible to register a company with a minimum of formality. The regulatory atmosphere is changing everywhere, and joint ventures with a 51-percent local ownership are becoming the rule. *Still, the U.A.E.,* with the possible exception of Abu Dhabi, remains the *most open country* in the Gulf for the multinational company or foreign entrepreneur.

Where reluctance by foreign capital exists, it usually has to do with the difficulty of establishing a profitable industry given the high costs of labor and items; political or other noncommercial considerations come much lower down the list. In the U.A.E., there is no institution comparable to the Saudi Industrial Development Fund, which offers soft loans and other incentives to Saudi industrialists. When the former U.A.E. Currency Board, now the Central Bank, started along this track in 1976-1977, it rapidly led to disaster.

The laissez-faire tradition of U.A.E. *business has made it* difficult for the authorities to impose *protective tariffs to safeguard* infant industries. The U.A.E. is perhaps the world's last free "dumping ground" for industrialized and newly industrializing countries to unload surplus production of everything from low-cost electrical cable to cheap detergents that would be unsalable elsewhere because of consumer-protection and anti-pollution measures.

The pattern of the 1970s for the U.A.E.'s industrial projects was to attempt the classic joint venture. Government interests were to hold a majority stake, with Western partners brought in to provide marketing and management skills and to shoulder part of the risk. The ruler of Dubai, Sheikh Rashid bin Said al-Maktum, saw this as the best way of getting his huge Jebal Ali industrial zone, which has a port the size of Rotterdam's, on the road.

By the early 1980s, it was clear *that this formula* had achieved little success. At the Dubai aluminum *smelter,* the government decided to take sole control. For the Dubai dry dock, talks on a joint venture foundered while the dock lay empty. Finally the British company involved, A&P Appledore International, signed an agreement but for an operation and management contract only. Its fee for management is linked to performance for a fixed number of years until the complex makes a profit. After that — and all realize that the day may never come — Appledore is to run the dry dock and share in the profit or loss.

Abu Dhabi's industrial zone at Ruwais also has increasingly been run by the government. There are foreign shareholders in the onshore gas gathering venture Gasco — Shell, Compagnie Française des Pétroles and Partex — but this is something of a hangover from the past, when the parties were full participants in the onshore oil concession. CFP-Total is also a one-third partner in the $200-million fertilizer plant under construction at *Ruwais,* near the border with Qatar and Saudi Arabia. For refining *and possibly for petrochemicals,* ADNOC, the Abu Dhabi oil company, which acts as a *development* authority, is increasingly *thinking of proceeding on its own.*

For light industrial companies the joint venture principle has been more successful. Gulf Eternit Industries of Dubai, *which makes fiber* cement pipes, says that it is the *second-largest manufacturing company* in the U.A.E., the largest *being the* government-owned aluminum smelter in Dubai. Gulf Eternit belongs to the Swiss group Eternit, which itself comes under the umbrella of Libanit Holdings, registered in Liechtenstein. Gulf Eternit is incorporated in Dubai and has been operating for nine years.

The *pipe* manufacturing and cable laying industries are classic cases where Western companies seeking to secure a corner of the market have decided to insure their market share by making a local association. In doing so they often preserve the market for the part of their export business that really matters — high technology.

In cable manufacturing the joint ventures established so far in the U.A.E. and elsewhere in the Gulf have been chiefly for low voltage; the valuable market for high-voltage cable with sophisticated lining techniques is still the preserve of European manufacturers. Again, in pipemaking, local manufacturers have tended to concentrate on small diameters, leaving bigger pipe to be supplied from the parent company.

Conservation of the Past: Current Needs Interfere

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bulldozers to excavate tombs dating from about 2000 B.C.

The climate is unkind to buildings, and over-pumping has caused sea water to filter into coastline soils, increasing their salinity. *Buildings disintegrate quickly.* This is particularly apparent in Dubai, the only city with more than a scattering of old buildings, mostly in its Bastakia and Shindaghah quarters.

Shindaghah is disintegrating rapidly. Most of the owners are not *overly concerned; many would like* to sell the land, which has become valuable. In Bastakia, the old fort has been rescued and turned into a museum; some of Bastakia's wind towers are safe. But Bastakia is an Iranian quarter, and there are those who see little point in preserving a foreign community. They see even less point in Dubai's Sheikh Rashid financing the preservation of the buildings.

In 1978, the U.A.E. *cabinet* approved a three-stage preservation project set up by a United Nations mission. A *UNESCO* expert chose six sites for preservation throughout the Emirates. *But nothing* substantial has come of it.

There is a *delightful ruin* of a fortified palace in Ras al-Khaimah at al-Fulayyah, *once the summer* palace of the al-Qasimi family. Beside it is the concrete shell of a rambling, single-story museum, its sole occupant an aging donkey. The Fujairah fort has had some restoration but irrigation pumps have upset the water table and salt is a problem. The charming fort at Umm al-Qaiwain remains a police post and is inaccessible to the public.

Foreign experts have often been as much to blame for failure to respect the past as the locals. Some low-cost housing designed by foreign architects has been badly insulated, unnecessarily extravagant, insensitive to local customs and preferences. *If it is a traditional* way of life that is to be preserved, *then modern housing must reflect* that tradition. People need encour*agement* to live with *their past as* well as their future.

—SARAH SEARIGHT

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New Generation Awaits Test of Rule

(Continued From Page 9S)

for the giant ship-repair drydock, the dimensions of which go beyond *any supertanker ever built.*

Sheikh Rashid always displayed a tireless commitment to the business of running Dubai. Getting up, until recently, at 5 A.M. each day, he drove around the city streets like "a farmer checking his fences," as an aide put it. The sheikh, a slight, wiry figure, with a beak-like nose, never hid his enthusiasm for business: *His traditional gilt-edged* black robes often billowed slightly *as he rushed ahead of his followers* to inspect a new construction site.

His *majlis* — the traditional practice in the Gulf of receiving *visitors each day — remained open* to all comers, long after other Gulf *rulers had begun to withdraw* behind a screen of bureaucracy.

The ritual in Sheikh Rashid's *majlis* — a long room with windows that enabled the sheikh to keep an eye on the creek — was well-known. *Beginning at 6 A.M.* each day, visitors were waved, one *at a time, to an easy chair next to* the sheikh, who puffed on his *battered briar pipe between whispered* conversations. Each visitor had time to drink a cup of tea or coffee, discuss his business and depart. The man who came for a handout instead of a mutually profitable deal was never waved into the seat of honor a second time.

As a result, most came for business. The room behind Sheikh Rashid's *majlis* was jammed with scale models — bridges and military bases, factories and luxury resorts and low-rent housing — left by companies, many of which thought misguidedly that the sheikh would be persuaded by an attractive design instead of the bottom line.

If Sheikh Rashid's politics was business, he was also enough of a businessman to want sensible government; he often protected Dubai's freedom of maneuver at the expense of a stronger central government for the U.A.E. But in 1979 he acceded to the request of Sheikh Zayed, the president of the U.A.E. and the ruler of its richest emirate, Abu Dhabi, to serve as prime minister of the U.A.E. In fact, he temporarily replaced Sheikh Zayed's son in the job. It came at a difficult moment in the federation, and Sheikh Rashid's two-year term of office — ill health finally forced him to withdraw — was a timely reinvigoration for the government of the Emirates.

Bringing to the premiership his accessibility and dislike of red tape, Sheikh Rashid proved to be an efficient administrator who gave special attention to the less glamorous responsibilities, such as health and education, diplomats report.

Sheikh Rashid's business-minded philosophies probably will remain stamped on the emirate, but his strong personality appears irreplaceable.

The next ruler, Crown Prince Maktum, has been trained for the job by education and by years of service under his father. But he often appears more comfortable dealing with U.A.E. affairs of state than with down-to-earth decisions about Dubai's business. As the day nears for his accession, Dubai's government appears to be edging *toward a form of power-sharing* with Prince Maktum's energetic *brothers.*

Prince Maktum, according to one Dubai-watcher, "will not be his father, mainly because he has such forceful brothers."

Prince Mohammed, the second son, has modeled himself on Jordan's King Hussein. A Sandhurst-educated pilot, the prince is a man of action. Deputy defense minister of the U.A.E., he concentrates on running the Central Command, the largely autonomous force formerly known as the Dubai defense force. The prince also runs the emirate's oil activities — and Sheikh Rashid's private office.

The third brother, Ahmed, works full-time at a military career.

Prince Hamdan, the youngest *son, is* the business brain of the family. Besides holding key financial and economic posts, *he is* responsible for Dubai's natural gas — and also runs Dubai's municipal affairs, a key job. All the princes have extensive business interests, giving the family a share of the profits and a share of the worries from almost everything that happens in Dubai.

Dubai's key activities, official and business, are thus divided among the three most active brothers. Similarly, their relatives from close branches of the family also occupy sensitive vantage points in Dubai's economy and politics.

This new arrangement — power-sharing at the top of an increasingly complicated bureaucracy and commercial empire — seems logical. Unlike Sheikh Rashid's personal rule, however, it has yet to stand the *test of time.*

—JOSEPH FITCHETT

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BUSINESS PEOPLE

Apple Computer Names Spindler To Head Its European Operations

Michael H. Spindler

Apple Computer, preparing to spring its new Lisa model on a somewhat skeptical market, plans to name a marketing expert to head its European operations. **Michael H. Spindler**, who is to be named Apple's general manager for Europe, will continue to be based in Paris, where he previously was the computer company's European marketing manager.

Mr. Spindler fills a spot previously held by **Kenneth R. Zerbe**, who ran the European operations on an interim basis after **Thomas J. Lawrence** left the company nine months ago because of management differences.

Mr. Zerbe has been appointed to the new position of vice president-international, responsible for all of Apple's operations outside the United States. He will be based in Apple's Cupertino, California, head office and will continue to be executive vice president, finance and administration.

Industry sources said that Mr. Spindler is the right man at the right time. "His background is marketing and dealing with distributor networks and that's what Apple needs — that's where the growth will come in," said Tom Bachman, an executive at the London research firm of Inteco.

Lisa, aimed at top management, will need Mr. Spindler's marketing talents, some industry sources say. Ease of operation for the the desk-top computer is by a hand-held device called a mouse: Some analysts suggest that the device is Mickey Mouse. "To European managers the way Lisa works is childish" said one. "Computers can go too far with user-friendliness and Lisa has." Another problem analysts see for Lisa is the price of about $10,000 price tag. Industry sources also say that Apple is feeling the effects of IBM's introduction of microcomputers in Europe.

Nonetheless, analysts see no sharp drop in Apple's market share. Simon Pearce of International Data Corp. in London estimated Apple's share of the 1982 European market for professional users of personal computer systems costing $1,000 or more at 17 percent. He sees that edging down to 15 percent in 1983.

Other Appointments

Chemical New York Corp. and its principal subsidiary, Chemical Bank, have elected three officers to the position of president. **Robert J. Callander, Thomas S. Johnson** and **Robert I. Lipp**, all currently senior executive vice presidents and directors, will become joint presidents on Oct. 1. They will report to **Walter V. Shipley**, currently president and chief operating officer, who will succeed **Donald C. Platten** as chairman and chief executive Oct. 1. The bank said that the three new presidents, aloog with vice chairmen **Richard K. Leblond II** and **C.W. Carson Jr.** and the chief financial officer **Alan H. Fishman**, will form the bank's policy committee. Mr. Shipley said: "A team approach is the best way to manage our business in this rapidly changing environment."

Citibank AG has appointed **Philip D. Sherman**, chairman of its managing board. Succeeding him as country corporate officer for Italy in Milan is **Jared Dornburg**. Citibank AG is a Frankfurt-based subsidiary of Citibank of New York. **John Scriven** has been appointed general counsel for Dow Chemical Europe, succeeding **José Cuervo**, who has been named director of legal communications and government affairs for Dow's Latin American operations. Mr. Scriven previously was a senior staff counsel at Dow Chemical Europe, which is based in Horgen, Switzerland.

National Westminster Bank has appointed **Trevor Heayns**, manager of its branch in Piraeus, Greece. He succeeds **R.P.M Phillips**. Before his new appointment, Mr. Heayns was based in the London head office as an accounts executive in the shipping section.

Chemical Bank of New York recently opened a representative office in Beijing. Heading the new office is **George W. Brain**. **Roger E. Wolf** has been appointed to the new position of director of finance at Digital Equipment Hongkong Ltd., a subsidiary of U.S.-based Digital Equipment Corp.

Anthony Butler has taken over responsibility for regional management of Citibank's Central and East African activities. Mr. Butler, who is based in Nairobi, formerly was with Citibank in London as head of the general banking division of the corporate banking group. He succeeds **David Ansell**, who now looks after the sub-Sahara interests of Citicorp International Bank, Citibank's London-based merchant banking arm. In addition, **Robert Thornton** has been named senior officer for the Ivory Coast, based in Abidjan. He succeeds **Kapo-Kalombo Kasanda**, who has been transferred to Citibank's European risk asset review team in Paris. Succeeding Mr. Thornton as senior officer for Citibank in Zambia is **Anthony Fortunato**. Mr. Fortunato, who is based in Lusaka, previously was with Saudi American Bank, a Citibank affiliate.

—BRENDA HAGERTY

Prices Close Up On NYSE

Compiled by Our Staff From Dispatches

NEW YORK — Prices were higher and near record levels at the close of the New York Stock Exchange Tuesday after a late rally.

The Dow Jones industrial average, down 6 in the early going after falling 3.01 Monday, closed up 8.22 to 1,247.40, putting it just under its record of 1,248.30 set last Thursday.

Advances led declines by an 8-7 margin among the 1,981 issues traded.

Big Board turnover was about 102.7 million shares, up from the 84.3 million traded during the corresponding period Monday.

Prices were higher in active trading of American Stock Exchange issues.

Analysts said the market was being subjected to wide swings because many institutional investors were adjusting their portfolios for the third quarter.

Initially, many investors were distrubed that federal funds rates climbed to 9½ percent from 9¼ percent Tuesday in the aftermath of a $5.6-billion surge in the narrowest measure of the nation's money supply. Both Treasury Uodersecretary Beryl Sprinkel and Commerce Secretary Malcolm Baldrige said that the Fed may have to take restrictive steps to stem the growth of the money supply.

But the government's estimate that the gross national product is growing at a 6.6 percent annual rate in the second quarter boosted investors' spirits.

On the trading floor, Pan American World Airways, a 1⅛-point winner the past two sessions on a favorable Forbes magazine article, was one of the most active NYSE-listed issues.

Superior Oil was sharply higher in heavy trading following a block of 410,000 shares at 35½. The company recently lost a proxy fight to dissidents who want Superior to consider takeover offers.

Raymood International was higher before trading was halted. There was speculation that Kelso & Co., acting on behalf of a group of Raymond employees and management, would raise the offer to take the company private.

Diebold was lower at one point. The company said its orders for automatic bank-teller machines were strong.

Texas Instruments, which lost 2¼ Monday after plunging 41½ last week, was higher most of the day.

Measurex, which reported second-quarter earnings of 30 cents a share, up from 23 cents a year ago, was on the upside in the early going.

'It is a long-term liquidity problem. It may well take the better part of this decade for some of the key borrowers to re-establish regular access to credit markets.'

Rimmer de Vries

Wilfried Guth

International Debt Crisis Takes on a Chronic Look

By Carl Gewirtz

International Herald Tribune

PARIS — The soothing talk accompanying the first round of loan reschedulings by developing countries, that the debt crisis is a temporary liquidity problem, is giving way to more somber realization that the financial plight of developing countries will easily span the rest of this decade.

While central bankers, commercial bankers and economists remain optimistic that the situation can be managed and that the debt crisis will oot be allowed to destabilize the international economy, the problem is oo longer presented as temporary but as chronic.

"It is a long-term liquidity problem," said Rimmer de Vries, Morgan Guaranty Trust's international economist. "It may well take the better part of this decade for some of the key borrowers to re-establish regular access to credit markets."

He estimated that the additional external debt needs for the 21 major borrowers among the less-developed countries, or LDCs, are likely to exceed $300 billion in the remainder of the 1980s, or nearly $40 billion a year compared to the $55 billion annual increase recorded from 1975 to 1982. Although the debt oeeds are expected to decrease, that still is a lot of money.

Current analysis divides the problem in two parts. The first is described as an immediate emergency, lasting until a sustained business recovery takes root in the industrialized world, creating demand for the commodities and manufactured goods that developing countries can export. The second is a long-term challenge of assuring these countries adequate development finance.

This second issue, "to look beyond the next six to 12 months and to try to resolve the systemic problems thrown up by the recent events," the Bank for International Settlements said in its recent annual report, is "probably [an] even more formidable task."

But this should oot be read as a dismissal of the current emergency.

Even though governments have already approved in principle substantial increases in the pool of funds available for crisis lending, a new move is under way to provide a cushion of an additional $4 billion to $7 billion. That will be needed to enable the International Monetary Fund to cope with what officials call a "commitments gap" that will result from anticipated calls for help that will be made this year before its quota increase becomes effective.

The IMF's board early this year agreed to seek a 47-percent increase io member country quotas and, at the same time, the 11 most highly industrialized countries agreed to a near tripling of their General Arrangements to Borrow to 17 billion special drawing rights (equivalent to almost $17 billion), effectively doubling the hard currency resources available to deal with the crisis.

But legislative approvals are still pending in participating couotries and in the meantime the IMF needs an immediate boost in resources. This is expected to be discussed next month when central bankers and treasury officials of the Group of 10 will be in Paris for a regularly scheduled meeting at the Organization for Economic Cooperation and Development.

One central banker who will attend that meeting suggested that governments could agree to lend the money to the IMF until the end of the year, when the quota increase is expected to be enacted.

Saudi Arabia, which provided two $4-billion, medium-term loans to the IMF in 1981 and 1982, had been expected to provide a third such loan. But that bas oot yet happened. For a while, it was thought the Saudis would provide the funds through an association with the General Arrangements to Borrow, and that may yet still happen. But with Saudi Arabian oil revenues down sharply, officials are not confident that the money will be forthcoming.

Putting oumbers on the problem, Edward P. Neufeld, chief economist of the Royal Bank of Canada, estimated last week that "a minimum of $40 billion needs to be rescheduled in 1983 and about the same amount in 1984."

Speaking in Paris at a seminar on international debt sponsored by the Atlantic Institute for International Affairs, he noted that "from the point of view of the stability of the international economy, the heart of the problem is largely centered in seven countries: Mexico, Brazil, Argentina, Venezuela, Chile, Yugoslavia and Poland."

In all, Wilfried Guth, co-speaker of the board of Deutsche Bank, told the seminar that about 40

(Continued on Page 15, Col. 1)

U.S. Says GNP Up at 6.6% Rate In 2nd Quarter

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. economy, bursting out of the long recession, is speeding ahead at a 6.6 percent annual rate in the still unfinished second quarter, government figures indicated Tuesday.

The Commerce Department's "flash estimate" of growth in inflation-adjusted, or real, gross naoonal product showed U.S. business expanding at the fastest pace since the 7.9 percent annual rate for the first quarter of 1981.

Beryl Sprinkel, Treasury undersecretary, said the inflation-adjusted gross national product will expand at a 6 percent annual rate from the fourth quarter of 1982 to the fourth quarter of 1983.

And Commerce Secretary Malcolm Baldrige said the U.S. economy is recoveriog strongly from the recession and that the growth in real gross national product could exceed 5 percent for 1983.

The new report also slightly revised first-quarter figures. The report oow estimates a still modest 2.6 percent increase at an annual rate rather than the 2.5 percent estimated a month ago.

Io addition, the report said U.S. corporations' profits rose 1.1 percent before taxes and dipped 4.4 percent after taxes in the first quarter rather than rising 1.4 percent and falling 4.6 percent, respectively, as earlier estimated.

Inflation, as measured by the broad-based GNP implicit price deflator, was 5.5 percent, instead of the earlier estimated 5.7 percent, in the first quarter.

But private economists and government officials are already considering the first quarter old news, choosing instead to celebrate the economic vitality showing up in the second quarter. Some have said that growth could be as strong or stronger in the third quarter before rising interest rates cool the economy down a bit toward the end of the year.

The GNP-linked inflation gauge is rising at an annual rate of 4 percent in the current quarter, slightly faster than the 3.2 percent of the first quarter, officials said.

The economy last expanded so briskly in the first quarter of 1981, but Reagan administratioo officials said then that that big gain was not realistic and that worse times were coming.

After the big jump as President Ronald Reagan was coming into office, the economy drifted for another quarter and then sagged into recession in the late summer of 1981. Critics blamed Reagan economic policies, but the administration and its defenders said the downturn was the inevitable result of the policies of Mr. Reagan's predecessor, Jimmy Carter.

Tuesday's report on GNP covered the entire economy, attempting to measure or estimate the nation's entire second-quarter output of goods and services and comparing it to the first quarter.

Other, narrower reports have also been encouraging in recent weeks, includiog Monday's Commerce figures showing that personal income rose 1.2 percent in May — the biggest one-mooth gain in nearly three years. And personal consumption spending rose 1.4 percent, the most since August 1981, that report said.

Allen Sinai, a senior vice president with Data Resources Inc. in Lexington, Massachusetts, said, "What these figures are telling us is that we are having a real barnburner of a second quarter."

"And they are telling us that the momentum that consumption is generating — in sales, depleted inventories and the need for increased production — is substantial momentum," be said.

The Reagan administration is officially predicting real GNP growth of 4.7 percent from the fourth quarter of last year to the fourth quarter of this year.

That would be less than the average of 6 percent to 7 percent in the first year following other recessions in the past several decades. But Treasury Secretary Donald T. Regan said last week that the current projection may have to be raised in revised estimates due out next mooth.

Durables Orders Up 0.2% in May

Reuters

WASHINGTON — New orders for durable goods, held down by a slowing in defense orders, rose $194 million, or 0.2 percent, in May from April to a seasonally adjusted $83.6 billion, the Commerce Department said Tuesday.

A consensus of economists bad predicted a 1.5 percent increase, according to Evans Economics of Washington.

The May advance followed a revised 4.3 percent gain in April from March.

The department's most recent previous report containing information on durable goods had said that orders had increased 3.8 percent in April.

Excluding the highly volatile defense-capital-goods category, new orders for durable goods rose 3.4 percent to $78.9 billion in May from $76.3 billioo in April, the report showed.

Shipments of manufactured durable goods increased $2.5 billion, or 3.2 percent in May. Economists had expected a much smaller increase, about 0.8 percent, in shipments. In April durable shipments increased 12.8 percent.

Foreigners Help Tokyo Exchange Set Record

By Steve Lohr

New York Times Service

TOKYO — With foreign investors buying aggressively, the Nikkei-Dow Jones Index of the Tokyo Stock Exchange Tuesday jumped to a record 8,798.62, up 86.89 for the day.

One reason for the surge, analysts said, was the recent sign that a stronger than expected recovery may be under way in the United States, which would stimulate growth worldwide. A buoyant global economy, increasing world trade, would considerably benefit the Japanese economy and boost corporate profits.

Already, foreign demand for such key export goods as videocassette recorders has picked up sharply.

Despite daily fluctuations, most analysts expect the Tokyo Exchange to advance further, with the Nikkei-Dow Jones index reaching 9,000 this summer.

By the end of March, foreign stockholdings accounted for 4.8 percent of the total shares outstanding on the Tokyo Exchange, twice the level three years before, the Bank of Japan estimated. In terms of market value, the foreign holding represented 7.3 percent of the total.

Moreover, the aggregate percentages tend to understate the importance of foreign investors in the Japanese market. Overseas investors, especially institutions, zero in on a relatively small number of blue-chip issues, whose movements typically lead the market.

During the first five months of this year, foreigners were net buyers (purchases minus sales) of Japanese shares by more than 480 billion yen ($2 billion).

The major foreign investors recently have been U.S. and some European institutions, such as pension funds and insurance companies. In addition, some securities firm executives report a large rise in investment from Southeast Asia.

"These are mostly people who otherwise would bave invested in Hong Kong real estate or equities," said Masanori Ito, executive vice president of Nomura Securities Co. "But because of the difficult situation there, overseas Chinese are putting their funds in Japan, where there is less risk."

The movement of money out of Hong Kong is the result of the growing uncertainty about what China will decide to do with Hong Kong in 1997, wben Britain's lease from China on 90 percent of the territory expires.

EC Sets 11% Coupon On $350-Million Bond

Reuters

LONDON — The European Commission has launched its expected $350-million four-year Eurobond with a higher than expected coupon of 11 percent.

Financial sources in Luxembourg had said Friday that the EC planned to raise the amount with a coupon of less than 11 percent, and a 10⅞ coupon had been widely enough expected that trading was being conducted on that basis in the issue in London Monday.

The non-callable issue was priced at par and lead managed by Deutsche Bank, with S.G. Warburg & Co., Paribas and Union Bank of Switzerland as co-lead managers. It is the final segment in the EC's multi-billion dollar financing for France.

A group of 14 co-managers has been assembled to underwrite the issue.

The EC Commission already is raising $1.8 billion through a floating-rate note, the largest ever, as well as about $1.3 billion through a seven-year syndicated loan and a further 150 million European currency units through a fixed rate bond.

Also coming to market Tuesday was Philips of the Netherlands, which said it would raise $200 million though a seven-year Eurobond with a coupon of 6¾ percent and par pricing.

The non-callable issue will carry warrants that are convertible into Philips shares in the Netherlands.

For each $1,000 bond, warrants will be issued giving the purchaser the right to buy 55 shares at a price of 58 guilders ($20.35) per share up to July 14, 1984. Philips shares closed at 54.20 guilders Tuesday. The company plans to list the warrants on the Amsterdam Stock Exchange.

Lead managers for the issue are Amro International, Credit Suisse First Boston and Morgan Guaranty.

CURRENCY RATES

Interbank exchange rates for June 21, excluding bank service charges.

	$	£	D.M.	F.F.	I.T.L.	Gldr.	B.F.	S.F.	D.K.
Amsterdam	2.854	4.375	111.815 *	37.375 *	0.1808	—	5.598 *	135.00 *	31.22 *
Brussels (a)	50.99	78.1625	19.9765	6.6435	3.3733 *	17.846	—	24.13	5.5795
Frankfurt	2.5525	3.908	—	33.24 *	1.688 x	89.48 *	5.005 *	120.81 *	27.92 *
London (b)	1.528	—	3.8957	11.7221	2,304.90	4.3552	77.815	3.2237	13.9617
Milan	1,513.30	2,317.30	592.77	197.82	—	529.59	29.658	715.33	165.41
New York	—	1.5315	0.3942	0.131	0.067 *	0.3525	0.0198	0.4765	0.1099
Paris	7.68	11.765	300.84 *	—	5.0765 x	269.14 *	15.054 *	363.31 *	84.05 *
Zurich	2.1124	3.2351	82.76 *	27.51 *	0.1397	73.95 *	4.142 *	—	25.11 *
1 ECU	0.8808	0.5809	2.2708	6.8279	1,345.13	2.5414	45.3444	1.8795	8.1348
1 SDR	1.06704	0.695775	2.7242	8.1949	1,614.70	3.0453	54.4217	2.2536	9.7501

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.876	Australian $	1.1416	0.0207	Israeli shekel	48.325	0.4716	Singapore $	2.1205
0.0556	Austrian schilling	17.985	0.0042	Japanese yen	239.375	0.9129	S. African rand	1.0954
0.0195	Belgian fin. franc	51.275	3.4165	Kuwaiti dinar	0.2927	0.0013	S. Korean won	778.40
0.8137	Canadian $	1.229	0.4297	Malay. ringgit	2.3275	0.007	Span. peseta	144.075
0.1094	Danish krone	9.1415	0.1368	Norw. krone	7.3125	0.1305	Swed. krona	7.6625
0.1802	Finnish mark	5.55	0.0958	Phil. peso	10.4385	0.0247	Taiwan $	40.25
0.0119	Greek drachma	84.50	0.0098	Port. escudo	102.70	0.0454	Thai baht	22.0265
0.1418	Hong Kong $	7.055	0.2899	Saudi riyal	3.4503	0.2722	U.A.E. dirham	3.6729
1.2348	Irish £	0.8099						

£ Sterling: 1.2356 Irish £.

(a) Commercial franc (b) Amounts needed to buy one pound (*) Units of 100 (x) Units of 1,000 N.Q.: not quoted; N.A.: not available.

INTEREST RATES

Eurocurrency Deposits

June 21

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
1 M.	9 7/16 - 9 9/16	5 1/16 - 5 3/16	5 3/8 - 5 1/2	9 9/16 - 9 11/16	12 3/8 - 12 3/4	8 5/8 - 8 3/4	8 3/4 - 9
2 M.	9 5/8 - 9 3/4	5 3/16 - 5 5/16	5 3/16 - 5 5/16	9 5/8 - 9 7/8	13 3/8 - 13 7/8	8 7/8 - 9 1/8	8 7/8 - 9 1/8
3 M.	9 7/8 - 10	5 1/8 - 5 1/4	5 1/8 - 5 1/4	9 5/8 - 9 3/4	14 3/4 - 14 7/8	9 1/8 - 9 3/8	9 - 9 1/4
6 M.	10 1/8 - 10 1/4	5 1/2 - 5 5/8	5 3/16 - 5 5/16	9 7/8 - 10	17 1/8 - 17 1/4	9 7/8 - 10	9 3/8 - 9 5/8
1 Y.	10 7/16 - 10 9/16	5 11/16 - 5 13/16	5 - 5 1/8	10 - 10 1/8	18 - 18 1/2	10 1/8 - 10 3/8	9 5/8 - 9 7/8

Key Money Rates

United States	Close	Prev.
Discount Rate	8½	8½
Federal Funds	9¼	9⅛
Prime Rate	10½	10½
Broker Loan Rate	9¾	9¾
Comm. Paper, 30-179 days	9¼	8.87
3-month Treasury Bills	8.96	8.95
6-month Treasury Bills	8.98	9.02
CD's 30-59 days	8.70	8.50
CD's 60-59 days	8.80	8.70
West Germany		
Lombard Rate	5	5
Overnight Rate	5.05	5.05
One Month Interbank	5.30	5.30
3-month Interbank	5.40	5.55
6-month Interbank	5.75	5.75
Japan		
Discount Rate	5½	5½
Call Money	6⅝	6¼
60-day Interbank	6⅝	6⅝

Britain	Close	Prev.
Bank Base Rate	9½	9½
Call Money	9½	9½
91-day Treasury Bill	9⅜	9⅜
3-month Interbank	9⅝	9⅝
France		
Intervention Rate	12½	12½
Call Money	12 9/16	12¾
One-month Interbank	12 9/16	12½
3-month Interbank	12⅝	12 11/16
6-month Interbank	12⅝	12¾

Sources: Commerzbank, Bank of Tokyo, Lloyds Bank.

GOLD PRICES

	A.M.	P.M.	Ch'ge
Hong Kong	415.375	415.95	+5.20
Luxembourg	416.00	—	+5.00
Paris (12.5 kilo)	417.61	417.13	+3.82
Zurich	414.50	414.25	—1.625
London	415.25	414.75	—1.00
New York	414.75	—	—1.00

Official fixings for London, Paris and Luxembourg, opening and closing prices for Hong Kong and Zurich; New York Handy & Harman. U.S. dollars per ounce.

Market Summary, June 21

Dow Jones Averages

	Open	High	Low	Close	Ch'ge
30 Ind	1239.88	1253.00	1228.27	1247.40	+8.22
20 Trn	578.17	589.12	571.60	584.91	+4.55
15 Util	128.33	129.43	126.80	128.32	+0.23
65 Stk	491.30	497.70	486.28	494.80	+3.14

Standard & Poors Index

	High	Low	Close	Ch'ge
Composite	171.45	167.31	170.53	+1.51
Industrials	193.53	188.78	192.54	+1.86
Utilities	64.92	63.86	64.51	+0.18
Finance	20.51	20.10	20.37	+0.02
Transp.	30.58	29.49	30.36	+0.38

Odd-Lot Trading in N.Y.

	Buy	Sales	*Short
June 20	272,763	481,276	929
June 17	265,389	489,740	1,504
June 16	294,762	538,336	1,904
June 15	236,061	477,558	1,481
June 14	250,791	485,195	1,266

*Included in the sales figures.

Market Diaries

	NYSE Close	NYSE Prev.	AMEX Close	AMEX Prev.
Volume	102.88	98.07	11.57	11.53
Adv.	879	741	361	419
Vol. Up	60.24	40.12	6.79	6.26
Decl.	755	901	293	356
Vol. Down	29.55	34.72	3.22	3.40
Unch.	373	376	200	172
Total	2,007	2,010	854	847
New highs	168	150	79	94
New lows	6	4	1	1

NASDAQ Index

	Close	Ch'ge	Week Ago	Month Ago
Composite	325.96	+1.33	320.04	169.05
Industrials	402.73	+2.50	392.77	193.29
Finance	276.20	+0.72	272.53	157.20
Insurance	273.55	+0.25	273.91	169.71
Utilities	374.10	—4.67	376.73	193.14
Banks	189.83	+0.18	188.52	131.48
Transp.	250.24	—0.10	256.01	147.12

AMEX Stock Index

High	Low	Close	Ch'ge
488.72	481.81	488.70	+5.99

AMEX Most Actives

	Sales	Close	Ch'ge
Resrtlnt wi	804,800	15½	— ⅜
Imp Chem	535,700	7⅜	+ ⅛
ResrtIntA	399,500	49⅝	+ ¼
WangLabB s	284,500	40¼	+2¼
Elsinore	278,800	14½	+ ¼
CoesrNJ	250,800	31	— ¼
Dunlop	217,500	1 1-16	
KeyPhrm s	215,500	38¼	+1⅝
DomeFtrl	198,400	4⅜	+ ⅛
CircleK	178,400	23	+3

Dow Jones Bond Averages

	Close	Ch'ge
Bonds	73.16	—0.09
Utilities	72.25	—0.18
Industrials	74.07	—0.01

NYSE Index

	High	Low	Close	Ch'ge
Composite	98.71	97.56	98.71	+0.75
Industrials	115.67	114.14	115.66	+1.06
Transp.	93.68	92.69	93.68	+0.46
Utilities	47.01	46.77	47.01	+0.10
Finance	102.55	101.87	102.55	+0.09

NYSE Most Actives

	Sales	Close	Ch'ge
Pan Am	2,507,300	8⅛	
SuperOil	2,143,000	38⅝	+3⅝
AmerT&T	1,968,900	64⅜	+ ⅜
Erbamont n	1,947,600	22⅛	
Sony Corp	1,461,400	15⅛	+ ½
TexasGasRsc	1,377,000	⅜	+1⅛
PhilipMorr	977,400	60⅞	+ ¼
Chrysler	942,300	31¼	+1¼
East Kodak	841,105	70	— ⅛
IBM	826,700	123	+1
Gen Motors	809,000	73	+ ⅜
PrimeCm s	775,900	20½	+ ⅜
Tandy	751,800	52⅞	— ⅜
PanAm wt	730,000	5	+ ¼
Coleco s	718,900	46⅜	—7⅛

Tuesday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quot.	Ch'ge Prev Close
[illegible]										

Texas Gas Offers Plan to Thwart Coastal Takeover

The Associated Press

NEW YORK — The fight for control of Texas Gas Resources Corp. is intensifying as the energy company defends itself against the unwanted advances of Coastal Corp., an energy conglomerate nearly twice its size.

On Monday, Coastal raised its offering price and asked a government agency to delay Texas Gas's earlier agreement to be taken over by CSX Corp., a rail carrier.

At the same time, CSX sweetened its offer, while Texas Gas announced a defensive tactic that could make it more difficult for Coastal to take it over.

In a move that demonstrated its hope that CSX would win the takeover battle, Texas Gas asked its directors to allow it to buy up to 10 million of its own shares for $45 apiece. That could complicate Coastal's effort, analysts said, because it would drain $450 million from Texas Gas's cash reserves.

Texas Gas turned to CSX as a merger partner two days after Coastal announced its bid to buy Texas Gas June 5. The Texas Gas board of directors approved a merger plan with CSX June 7, and the CSX board approved it the next day.

Coastal, meanwhile, said Monday that it had asked the Interstate Commerce Commission to delay the CSX-Texas Gas merger, claiming that a voting trust set up for American Commercial Lines Inc., Texas Gas's barge subsidiary, as part of the merger is unlawful.

Coastal also raised its offer to $55 a share for 10 million Texas Gas shares from $45 and said it would offer a package of debt and securities worth about $48 a share for the remaining 48 percent of Texas Gas' stock.

Coastal put the value of its new offer at $1.05 billion.

Shortly after Coastal announced details of its new offer, CSX responded by amending its proposed $950-million offer, which Texas Gas had earlier accepted.

CSX said its $52-a-share tender offer announced June 7 would be for all of Texas Gas's 20.6 million shares outstanding instead of the 7.1 million shares it previously sought. The amended offer is conditioned on at least 10.3 million Texas Gas shares being tendered by the midnight June 29, the withdrawal deadline.

CSX added that all other provisions of its previous offer remained the same. All Texas Gas shares not tendered under the cash portion of the CSX offer would be exchanged at the rate of 0.684 share of CSX stock for each Texas Gas share. The total value of the CSX offer would depend on the final ratio of Texas Gas shares tendered for cash to those exchanged under the stock-swap portion of the deal.

In a joint statement, Hays T. Watkins, chairman of CSX, and Dennis R. Hendrix, chairman of Texas Gas, said the proposed Texas Gas purchase of up to 10 million of its own shares was conditioned on neither CSX nor Coastal changing their offers. It also is conditioned on Coastal's buying 8 million Texas Gas shares, they said.

(Continued on Page 16)

Moscow Manages to Raise Oil Revenue

By Theodore Shabad

New York Times Service

NEW YORK — The Soviet Union, contrary to expectations of some Western analysts, managed to overcome a decline in world oil prices and to increase its crucial hard-currency revenue from petroleum sales in 1982.

Foreign-trade statistics recently released in Moscow show that income from exports of crude oil and refined petroleum products to Western Europe, the principal non-Communist market for Soviet oil, rose by 13 percent last year, to about $16 billion.

This represented about 60 percent of the Soviet Union's foreign exchange earnings, which the Russians need to pay for imports of grain and high technology from the West.

"They evidently decided that they must earn a certain amount of foreign exchange for planned imports from the West, and are able to mobilize the additional supplies," said Marshall Goldman, associate director of Harvard University's Russian Research Center, in commenting on last year's oil-export drive.

Mr. Goldman, who is a specialist on the Soviet economy and on East-West trade, said Moscow's ability to make available additional oil for export when needed also cast further doubt on a prediction made by the Central Intelligence Agency in 1977 that oil production in the Soviet Union would begin to decline after 1982 and that the Soviet bloc would ultimately turn into a net oil importer.

World oil prices fell in 1982, and the downward trend was institutionalized last March when the Organization of Petroleum Exporting Countries rolled back it marker price to $29 a barrel from $34.

Some oil analysts had predicted that the decline would adversely affect the dollar earnings of the Soviet Union, whose oil output, though the largest in the world, has been leveling off and now stands at 12.4 million barrels a day.

With production stagnant and domestic consumption rising, the reasoning went, the Russians would have less oil available for export and, in light of lower prices, would suffer a decline in hard-currency income. The latest figures suggest, however, that Moscow was able to muster additional supplies for export.

In an effort to maintain exports, the Soviet Union has been carrying out a program of oil conservation and expansion of refining capacity. Conservation is intended to reduce the Russians' raditionally heavy use of fuel oil in power generation by burning more coal and natural gas. The oil thus saved is to be turned into larger amounts of valuable refined products. The increased 1982 exports suggest that these structural shifts may have begun to pay off.

Soviet oil exports to the West were a relatively small factor on the world market as long as OPEC satisfied as much as 60 percent of world consumption. But the decline of OPEC's share in the last few years to around 35 percent of the market is reported to be causing that group concern about inroads being made by the Soviet Union and other non-OPEC oil exporters such as Britain, Norway and Mexico.

According to the latest Soviet figures, published in the May issue of Foreign Trade, a monthly magazine of the Ministry of Foreign Trade in Moscow, gains in the Western European market were particularly pronounced in the Netherlands, where the value of Soviet exports, mostly oil, rose by 48 percent last year from the year before, and in Belgium, where the growth was 38 percent.

Those gains apparently were achieved in part by undercutting the world price.

Total Soviet oil exports are now close to 3.5 million barrels a day, or 28 percent of production.

Natural gas, though less significant than oil, is earning an increasing share of foreign exchange for the Soviet Union. Last year, gas exports rose to 2.1 trillion cubic feet (63 billion cubic meters), or 12 percent of Soviet gas production, with 1.1 trillion going to Western Europe.

According to the Soviet magazine Foreign Trade, contracts for the delivery of an additional 1.1 trillion cubic feet have been signed with West Germany, France, Italy, Austria and Switzerland in connection with the construction of the new pipeline from the Siberian gas fields.

World Debt Crisis Takes on a Chronic Look

(Continued from Page 13)

countries have agreed to, or applied for, reschedulings or are running substantial arrears and are therefore likely to apply for relief.

Mr. de Vries, writing in Morgan's monthly World Financial Markets, noted that "restructurings or reschedulings are helpful in coping with liquidity problems arising from a bunching of debt-service payments." But, he added, these "will not solve problems of excessive debt, since they do not reduce a country's overall indebtedness, or affect its debt-export ratio."

Mr. de Vries estimated that a 2-percentage-point cut in interest rates, while important, would have over time a less pronounced impact on the debt burden than a 1-percent rise in the OECD growth rate, a 1-percent annual change in terms of trade (rising export prices), or a 20-percent cut in oil prices.

The main theme of all official comment is that to keep the debt crisis within manageable bounds it is absolutely essential that a business recovery take root. It is also agreed that the greatest impediment to this happening is the continuing high level of U.S. interest rates and that the level of rates is a result of the large federal deficit.

The official views of commercial bankers as well as government officials is that the dilemma in U.S. policy will be resolved, that interest rates will come down and the recovery will proceed.

Unofficially, and asking that they not be cited by name or institution, analysts are agreed that the debt problem will not be permitted to ruin the international economy — meaning that if recovery threatens to abort because of policy disagreements within the United States the industrialized countries will inflate their way out of the crisis.

To support this theory, analysis note that the Federal Reserve's shift last summer from a strict monetarist policy to a much more supple interpretation of and reaction to domestic money supply growth just happened to coincide with Mexico's declaration of a payments moratorium on its debt.

Resolution of the debt problem, one European central banker said, will require real sacrifices by all those responsible for it. For the borrowers, usually under the aegis of the IMF, this means a period of sustained austerity. For the banks, it means continued lending even if they would prefer not to. And for the governments of the industrialized world, it means creating the liquidity — preferably by growth, but through some added stimulus to inflation if necessary — to keep the wheels turning.

Industrialized countries contributed to the debt crisis through the record high interest rates they have used to curtail inflation and the resulting economic slowdown that has fostered protectionism, curtailing tha export-earning ability of developing countries.

The IMF estimates, for example, that higher interest rates alone have accounted for almost 40 percent of the increase in the external deficits of non-oil developing countries since 1979; that each 1 percentage point rise in interest rates added about $3 billion to the debt service burden of those countries, and that each percentage point decline in the industrial countries' growth reduced non-oil LDCs' exports by about $10 billion.

Some officials, such as Lamberto Dini, head of the Bank of Italy, fear that after decades of excessive international liquidity "we seem to be heading toward an unwarranted crunch." He told the Atlantic Institute seminar that "a new SDR allocation may have to be considered this year." SDRs are reserves created by the IMF that can be used by members to settle balance-of-payments deficits.

But the BIS annual report took a more conservative view, stating that "it would be inappropriate to speak at present of a global liquidity shortage; nor is that problem likely to pose itself in the foreseeable future."

Meanwhile, commercial bankers warn that their capacity to provide additional financing is extremely limited.

"Even with the best of intentions and a clear feeling of responsibility for the continued financing of world trade and investment," Mr. Guth said last week, "commercial banks as a whole will probably be distinctly more cautious in extending [voluntary] credits to highly indebted countries. With or without stricter supervisory regulations, banks will, in my opinion, be concerned in future that the expansion of their international lending will, as a rule, not proceed faster than the growth of their capital base."

The international organizations are budgeting for a 7-percent increase in net commercial bank lending. But with many lenders, particularly the smaller banks, seeking to pull out of the international market, the remaining big banks are likely to have to increase lending by 10 percent — equal to the most optimistic assessments of how fast the banks' capital base can be expected to expand.

A recurrent theme commercial bankers stress is that additional non-bank sources need to be found to finance the needs of developing countries.

Although many commentators, notably in the U.S. Congress, interpret any scheme to increase non-bank sources of finance as a "bail out" of the commercial banks, the mainstream banks and the international organizations reject the one bail-out proposal that has received the widest circulation.

This calls for the IMF or some new institution to buy at a discount from the banks a portion of the developing countries' debt held by the banks. This would have the banks accept some of their responsibility for the crisis by taking a loss on the debt sale. At the same time, it would create room for the banks to make new loans to finance the LDCs' recovery.

But institutions such as the BIS and the IMF and commercial giants such as Deutsche Bank and Morgan Guaranty reject such an approach.

Forcing the banks to write-off a portion of existing obligation, Mr. de Vries wrote, "would be extremely costly to lenders ... and would jeopardize new flows of money."

The BIS said that "it is essential that no doubt should be left that the banks remain, as they always have been, wholly responsible for their lending decisions." The prime consideration, it added, should be to what extent such a scheme "could alter the market mechanism, i.e. the future behavior of both borrowers and lenders, in a direction that would render the solution of the prospective flow problems even more difficult."

And in the words of Mr. Guth: "If the ultimate purpose of any such plans is the avoidance of a big financial crash, model planners must see to it that they do not save the debtor countries by killing the creditor banks by imposing unreasonable burdens on them which would endanger their market standing."

In addition, bankers and officials fear that any such move would send a wrong signal to the debtor nations, freeing them of the burden of helping to solve their own difficulties.

In the search for additional funds that will be needed to provide the development finance needed by the LDCs, attention focuses on the World Bank and on private investors.

"The critical issue for the decade ahead of us," Mr. de Vries said in a telephone interview, "is development finance."

A recurrent theme of the recent ministerial meeting at the OECD was that private investors are going to have to provide more finance than they have recently. According to the OECD, direct investment in 1981, estimated at $16 billion, was only two-thirds greater than in 1970 and about 8 percent below the 1975 high (as measured in constant 1981 dollars). Bank lending, at $24 billion, was more than triple the 1970 figure although 12 percent below the high registered in 1978 as measured in constant dollars.

"Banks will have to continue to play a major role," the OECD secretariat said in a study on the subject, bot it added that ways will have to be found "to diversify the form taken by private capital flows to the developing countries."

The possibility of setting up a multilateral guarantee system for direct investments by private multinational companies is again under study. Under the plan the World Bank would reinsure the political risk of such investments. World Bank officials hope to have a program to launch by year-end.

But stimulating private investors to put their money in developing countries is only half the problem. The other half is convincing the LDCs to accept such investments.

The World Bank also expects that its new form of co-financing, approved by its board in January, will soon be attracting commercial bank lenders. As the World Bank boasts of never having had a default on any loan nor ever having had to reschedule a loan, commercial bank loans directly tied to a World Bank loan should offer bankers greater security.

Despite these, and other, measures by the World Bank to enhance the flow of development finance, the bank itself is the subject of criticism within the financial establishment for what is regarded as its overly cautious approach to financing development.

Although the bank is chastised for its plodding — it takes 18 months to review a project — a major constraint on its lending is the ceiling set by its board. A lending limit of $60 billion was set for the years 1982-86 and the bank itself is currently seeking to have this amended. The bank's administration estimates that it could borrow up to $5 billion a year more from the world's private capital markets than its current $10 billion and still retain access to its privileged borrowing charges.

In addition, the bank is criticized for its conservative use of its assets. Whereas the lending of commercial banks can run up $20 for every $1 of capital, the World Bank's gearing ratio is $1 for every $1. This conservatism accounts for investors' high regard for World Bank bonds and the resulting favorable rate of interest the bank pays to sell bonds.

While the bank's administration is unwilling to alter this gearing ratio because it feels a moral obligation to investors who bought its bonds based on that conservative approach, critics argue that the bank could provide considerably more finance through slightly higher gearing without altering its fundamental conservatism.

The concern about inadequate official financing also extends to the IMF. Although the U.S. administration recently agreed to a 47-percent increase in quotas — half the augmentation European governments were urging — the increase, which would raise the IMF's kitty of lendable money as well as the amount each member can request, will effectively be offset by the reduction in the percentage of the quota each member can borrow.

At present, a country can request to borrow up to 450 percent of its quota over a three-year period, or 150 percent annually. But the Reagan administration is pushing to reduce by an as-yet unspecified amount this access once the quotas are raised.

Tuesday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

(Continued from Page 14)

U.S. Futures Prices

June 21

Grains

Food

Financial

Metals

Livestock

Industrials

Stock Indexes

Commodity Indexes

Market Guide

London Metals

June 21

Paris Commodities

June 21

London Commodities

June 21

Cash Prices

June 21

Highs and Lows

June 21

Dividends

June 21

New Zealand Freezes Australian Investment

United Press International

WELLINGTON, New Zealand — Prime Minister Robert Muldoon has placed a freeze on Australian investment in New Zealand in retaliation for takeover restrictions set up by Australia.

The decision announced Sunday follows the action of Australia's Foreign Investment Review Board to apply "opportunity tests" to takeover attempts by New Zealand companies in Australia. The tests cause a delay that gives Australian companies time to make counter-investment offers.

COMPANY EARNINGS

Revenue and profits, in millions, are in local currencies unless otherwise indicated.

United States

General Tire & Rubber

2nd Quar.	1983	1982
Revenue	545.3	585.6
Net Inc.	22.2	29.93
Per Share	0.92	1.24
6 Months	1983	1982
Revenue	994.9	1,040.
Net Inc.	13.08	(a)4.66
Per Share	0.54	—

(a) Loss: 1983 half includes loss of $3 million from discontinued operations, vs gain of $4.9 million from sale of assets. 1982 half includes provision of $30.3 million for plant closure costs. 1983 quarter includes benefit of $4.4 million from liquidation of lifo inventory, vs gain of $4.9 million from sale of assets.

Tuesday's AMEX Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

BUSINESS BRIEFS

EC Talks on Internal Trade Stall Over French-West German Dispute

LUXEMBOURG (Reuters) — Economics ministers of the European Community again failed to make progress Tuesday on reducing internal trade barriers that cost the 10-oation bloc about $12 billion a year.

Officials said the members were unable to reconcile a disagreement between West Germany and France over bow to link freer internal trade with greater protection from the outside. France and the European Commission have been pressing for a system to increase the EC's protection against alleged unfair trading practices by third countries.

France wants the commission to be able to decide on instituting measures on its own. Britain, West Germany and the Netherlands, fearing abuse of the system, want all cases to come before the 10 ministers. Until that problem is solved, France refuses to discuss communitywide certification for outside products, which the West Germans consider vital for increasing free trade.

Romania, Banks Agree on Debt

BELGRADE (Reuters) — Romania has signed an agreement with foreign bankers that defers repayment of part of its commercial debt falling due this year, banking sources here said Tuesday.

The Romanian national bank governor, Vasile Rauta, predicted earlier *this month that the agreement would arrange for $600 million* of outstanding 1983 debt to be repaid over the next six and a half years.

Early in 1982 Bucharest had a Western debt burden of nearly $11 billion and stopped payments for imports. Western diplomats in Bucharest say the country now appears to be over the worst of its financial problems, which had been aggravated by bunched debt repayments and high interest rates in the early 1980s.

France Predicts Growth in 1984

PARIS (Reuters) — The Finance Ministry said Tuesday that France's economy will start to recover next year from the effects of the government's austerity measures, which have halted economic growth.

It said that despite continuing problems for the world economy, increased exports would help bring a 1-percent increase in France's gross national product in 1984, after no growth at all this year. The government had been forecasting 2-percent growth for 1983 before it introduced its austerity measures, including increased taxation and an obligatory *loan to the government by taxpayers, in March aimed at cutting the huge* trade deficit.

EC Extends Steel Quotas

LUXEMBOURG (Reuters) — European Community industry ministers Tuesday renewed their steel industry production quota system for one month and said its longer-term future would hinge on plans to cut excess steelmaking capacity.

West German Economics Minister Otto Lamsdorff said that the system of compulsory production quotas designed to share a shrunken market would be extended for one month from its scheduled expiry on June 30. Industry ministers will meet again in Brussels on July 25.

Iraq, Nigeria, Libya Lag in Debt Payment

By Donald Nordberg

Reuters

FRANKFURT — Iraq, Nigeria and Libya are finding more and more difficulty in paying for construction work already started in their countries, a major West German building company reported Tuesday.

Hermann Becker, chief executive of Philipp Holzmann, West Germany's biggest construction company, said Iraq oow owed his company 35 million to 40 million Deutsche marks ($13.7 million to $15.7 million) for work already completed on a canal and a power station.

Nigeria is about $45 million in arrears and Libya, about $11.8 million, he said.

The three countries, which are all members of the Organization of Petroleum Exporting Countries, effectively have ordered a halt on new construction orders, Mr. Becker added.

OPEC countries have had a slowdown in economic activity because of falling oil revenue caused by a world oil glut. Mr. Becker said the decline meant that in the first *five months of* 1983 Saudi Arabia was virtually the only source of orders from OPEC countries.

Gerhard Keil, the finance director, added that the company's earnings would be down this year and cautioned that the projects in Iraq and Nigeria could collapse.

Earlier the Economics Ministry in Bonn said Iraq had said it would be unable to meet all of the foreign currency payments due to West German companies this year and next.

The war between Iraq and Iran has severely damaged Iraq's ability to pay for products and services ordered in the West.

A spokesman for the West German engineering industry said recently that Iraq had not been able to meet payments for completed work since November.

Mr. Becker said that by the end of July international construction companies operating in Iraq would have to work out a formula to ensure *that payment was made or* work might have to stop.

At the end of last year Holzmann had about $155 million of contracts outstanding in Iraq.

Iraq also wanted the company to finance the remaining work on a 170-kilometer (105-mile) canal from Nasiriyah and Basra and the final stage of rebuilding work on the Daura power plant, destroyed in the war.

Floating Rate Notes

Closing prices, June 21

Banks

Non Banks

Prices supplied by Credit Suisse-First Boston Ltd., London.

Antitrust Theory Is Tested in U.S.

By Linda Greenhouse

New York Times Service

WASHINGTON — The Supreme Court announced Monday that it would re-examine a long-held and increasingly disputed tenet of antitrust law: The doctrine under which affiliated companies can be found to have conspired with each other in violation of the Sherman Antitrust Act.

The Justice Department, siding with critics of the doctrine, had urged the court to reconsider it.

As a vehicle for taking a new look at the "intra-enterprise conspiracy doctrine," the justices agreed to hear an appeal by Copperweld Corp. and its wholly owned subsidiary, Regal Tube Co. The two companies were sued by a competitor, Independence Tube Co., for conspiring to restrain trade in the market for structural steel tubing. A jury awarded $9 million in damages to Independence Tube in a judgment that was upheld by a U.S. Court of Appeals.

The legal theory that two commonly controlled corporations can conspire with each other stems from a 1947 Supreme Court decision, United States vs. Yellow Cab. It has been frequently invoked since then, despite growing judicial and academic criticism of the doctrine for ignoring economic reality and promoting inefficiency in the name of antitrust enforcement.

Inefficiency is said to occur if, purely for antitrust reasons, a corporation refrains from giving an affiliate separate corporate status when other considerations indicate that would be the most efficient form of organization.

Copperweld's appeal was supported by the National Association of Manufacturers, which told the justices that the intra-enterprise conspiracy doctrine "casts a cloud over all forms of subsidiary corporate organization."

The court sought the Justice Department's advice on whether to take the case. In a strongly worded brief, the department told the court that the doctrine "actually undermines the goals of the antitrust laws" by discouraging efficient busioess organization.

"Joint conduct by commonly controlled corporations in itself is simply not the sort of 'agreement' Congress intended to address" under the Sherman Act's prohibition *against conspiracies in* restraint of trade, the department said.

Japanese Prices Higher

Reuters

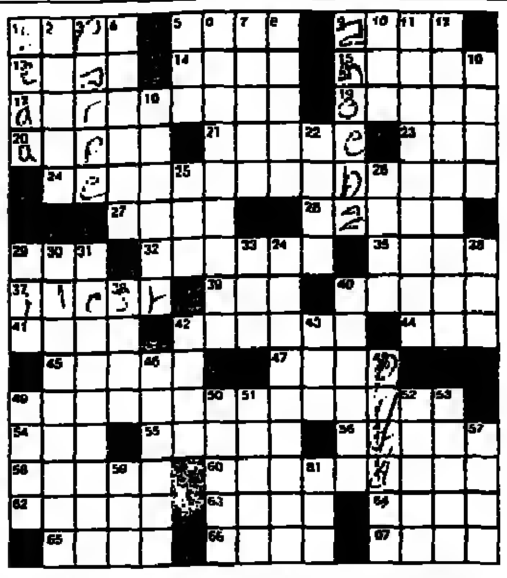
TOKYO — Japanese wholesale prices rose 0.2 percent in the first 10 days of June, compared with a 0.1 percent decline in the same period in May, the Bank of Japan reported Tuesday.

Over-the-Counter

June 21

NASDAQ National Market Prices

CROSSWORD



ACROSS

1 Duchesse, for one
5 Lett's neighbor
9 Mimicked
13 Second Israeli ambassador to the U.S.
14 Fit to ——
15 Motorized bike
17 Angry mender's cry?
19 Martini garnish
20 Quaker to a grove
21 Fish bowl
23 —— Jacinto Mountains
24 Cry at a flagmaker's funeral?
27 Gandhi's angel
28 Dance of French origin
29 "—— Rosenkavalier"
32 Dupes
35 Verve
37 What i.e. stands for
39 Miscalculate
40 Emulate Isocrates
41 Silent
42 Kick up ——
44 Vintage car
45 Boorish
47 Memorable chanteuse
49 Toast at an Ed Wynn fete?
54 Shoshonean
55 "—— and his money . . ."
56 Historian Nevins
58 Philanthropist
58 Cry as a church catches fire?
62 Part of a decathlon
63 Stretched the budget
64 Rapier's relative
65 Mundane and Mayan
66 World Series winners: 1975-76
67 Writer Earl —— Biggers

DOWN

1 "—— and the Swan," Yeats poem
2 Put to shame
3 "—— diem!"
4 Group of nine
5 Nosh
6 Becomes inactive
7 Has an effect
8 Serf or slave
9 One-celled animal
10 Ward heeler
11 Carried on by letters
12 Ravage
16 Gainsay
18 Buy stocks
22 Where cranberries grow
25 Second person
26 Perpetually
29 Indistinct
30 Instructional
31 Game dog
33 Ust ——, U.S.S.R. plateau
34 Drove forward
36 Modernist
38 Cachet
40 Group in NE Nebraska
42 Date-setting phrase
43 Ending for bishop
46 Gambits, in chess
48 Made a movie
49 Colossal
50 "I will speak daggers —— . . .": Hamlet
51 English physicist: 17th century
52 Become one while on the run
53 Deceptive person
57 At no time, to Tennyson
59 Queen before Sofia
61 What QB's wish to gain

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DENNIS THE MENACE

"HER BIKINI NEEDS CHANGIN'."

JUMBLE THAT SCRAMBLED WORD GAME

by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

REDOO

MIDIO

BYRBAC

RUINJY

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: A

(Answers tomorrow)

Yesterday's | Jumbles SNARL DRAMA ACCESS HALVED
Answer What the guy who was "all feet" when he danced was when they sat down — ALL HANDS

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Algarve	20	68	18	64	o
Amsterdam	26	79	15	59	fr
Athens	28	82	19	66	fr
Belgrade	23	73	13	55	o
Berlin	28	82	14	57	fr
Brussels	25	77	13	55	fr
Bucharest	28	82	15	59	cl
Budapest	26	79	15	59	fr
Copenhagen	22	71	13	55	fr
Costa Del Sol	25	77	17	63	cl
Dublin	19	66	12	54	fr
Edinburgh	13	55	9	48	o
Florence	23	73	11	52	fo
Frankfurt	27	80	16	61	cl
Geneva	23	73	13	55	fr
Helsinki	13	55	6	43	cl
Istanbul	23	73	18	64	cl
Las Palmas	24	75	20	60	o
Lisbon	20	68	15	59	o
London	23	73	11	52	fr
Madrid	28	82	12	54	cl
Milan	21	70	15	59	o
Moscow	11	52	9	48	st
Munich	18	64	14	57	cl
Nice	22	73	14	57	fr
Oslo	20	68	15	59	fr
Paris	25	77	15	59	cl
Prague	25	77	14	57	fr
Reykjavik	11	52	7	42	fr
Rome	25	77	15	59	o
Stockholm	15	59	12	54	fr
Venice	23	73	16	61	fr
Vienna	25	77	14	57	cl
Warsaw	25	77	12	54	fr
Zurich	22	71	14	51	cl
MIDDLE EAST					
Ankara	21	70	11	52	cl
Beirut	28	82	19	66	fr
Damascus	34	93	16	61	fr
Jerusalem	28	82	18	59	fr
Tel Aviv	31	88	19	66	fr
OCEANIA					
Auckland	12	54	7	45	o
Sydney	19	66	11	52	cl

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	34	93	25	77	cl
Beijing	33	91	24	75	cl
Hong Kong	32	90	27	81	o
Manila	35	95	25	77	o
New Delhi	41	106	25	77	fr
Seoul	30	86	20	68	fr
Shanghai	24	75	20	68	fr
Singapore	27	81	25	77	o
Taipei	30	86	24	75	o
Tokyo	27	81	18	64	cl
AFRICA					
Algiers	25	77	16	59	cl
Cairo	—	—	—	—	n.a.
Cape Town	18	64	10	50	o
Casablanca	24	75	15	59	cl
Harare	—	—	—	—	n.a.
Nairobi	22	72	13	55	cl
Tunis	29	84	18	64	cl
LATIN AMERICA					
Buenos Aires	14	57	7	45	cl
Lima	25	77	19	66	o
Mexico City	28	82	12	54	cl
Rio de Janeiro	25	77	19	66	fr
São Paolo	32	73	17	63	fr
NORTH AMERICA					
Anchorage	—	—	—	—	n.a.
Boston	30	86	18	64	fr
Chicago	32	90	18	64	fr
Denver	32	90	14	57	fr
Detroit	30	86	15	59	fr
Honolulu	31	88	22	72	fr
Houston	32	90	21	70	ps
Los Angeles	25	77	18	64	cl
Miami	31	88	26	79	cl
Minneapolis	30	86	20	68	pc
Montreal	30	86	15	59	fr
Nassau	30	86	22	72	r
New York	29	84	19	66	pc
San Francisco	20	68	11	52	fr
Seattle	21	70	10	50	pc
Washington	27	81	20	68	pc

cl—cloudy; fo—foggy; fr—fair; h—hail; o—overcast; pc—partly cloudy; r—rain; sh—showers; sn—snow; st—stormy

WEDNESDAY'S FORECAST — CHANNEL. Slight. FRANKFURT: Cloudy with storms. Temp. 23—15 (73—59). LONDON: Fair early, cloudy later. Temp. 21—12 (70—54). MADRID: Overcast. Temp. 25—16 (77—57). NEW YORK: Fair. Temp. 30—19 (86—66). PARIS: Cloudy, possible storms. Temp. 27—16 (81—57). ROME: Fair. Temp. 26—14 (79—57). TEL AVIV: Fair. Temp 31—19 (88—66). ZURICH: Cloudy with storms. Temp. 21—13 (70—55). BANGKOK: Cloudy. Temp. 32—27 (90—81). HONG KONG: Cloudy. Temp. 35—27 (95—81). MANILA: Thunderstorms. Temp. 35—25 (95—77). SEOUL: Fair. Temp 30—16 (86—61). SINGAPORE: Thunderstorms. Temp 27—26 (81—79). TOKYO: Foggy. Temp. 26—18 (79—64).

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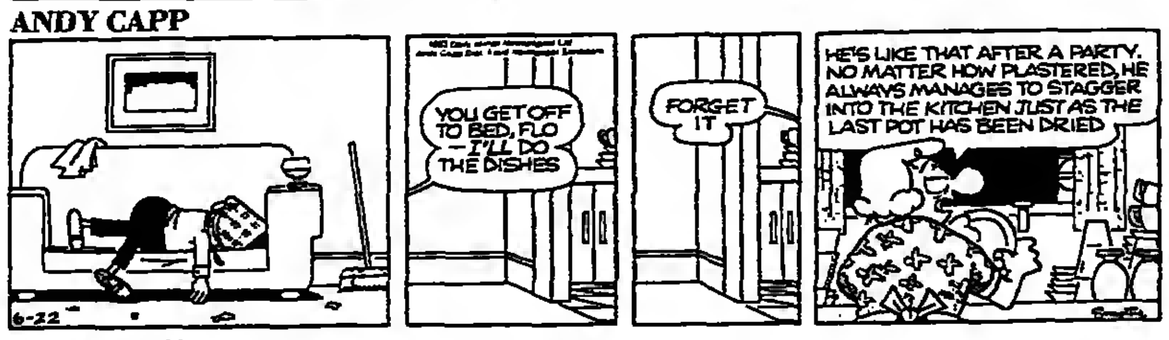
PEANUTS

BLONDIE

BEETLE BAILEY

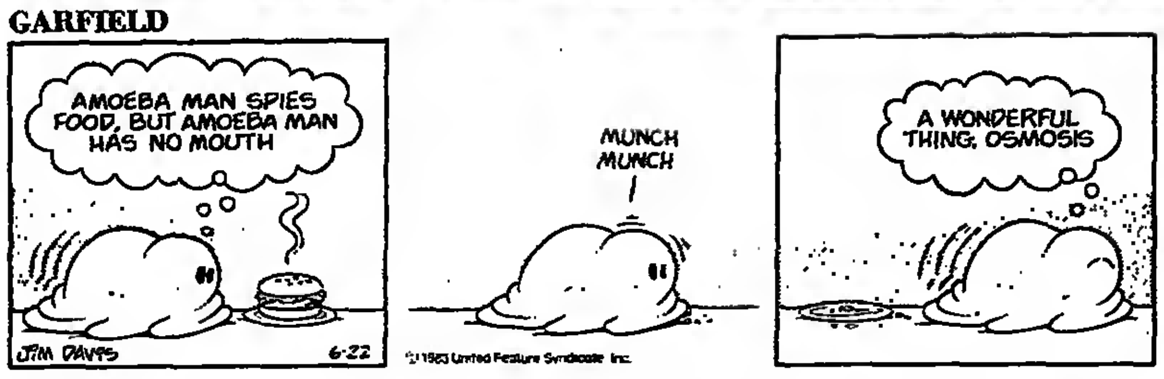
ANDY CAPP



WIZARD of ID

REX MORGAN

GARFIELD



BOOKS

THE WORLD AFTER OIL: The Shifting Axis of Power and Wealth
By Bruce Nussbaum. 304 pp. $15.95. Simon & Schuster 1230 Avenue of the Americas New York, N.Y. 10020

Reviewed by Arnold Goldburg

IN the latter half of this millennium, six key inventions shifted the world's axis of power and wealth. The first phase of the first industrial revolution was based on three inventions — the spinning jenny (1764), the Bessemer furnace (1784) and Watt's steam engine (1796). The second phase was based on three inventions — flight (Wright, 1903), the telephone-radio (Bell, 1876, DeForest, 1907) and nuclear energy (Einstein, 1905, and Fermi, 1942).

The first phase of the first industrial revolution was characterized by the heavy industries; power and wealth resided in Great Britain. In the second phase, the axis of power and wealth shifted to the United States.

The invention of the transistor (Shockley, Bardeen and Brattain, 1948) and the invention of the microelectric integrated circuit (Noyce and Kilby, 1957) led to the development of the computer on a chip. The chip provides the building block for telecommunication networks and data-base management systems of vastly increased complexity and size.

Nussbaum's book addresses the question of whether the microelectronic chip — with the resulting near-infinite capacity to calculate and manage data instantaneously anywhere in the world, at any time — will cause a shift in the axis of power and wealth during the last quarter of this century.

Technology forces change upon society: Its cultural tradition — the mind-set of the citizenry; its economic engine — the current goods and services; its sociological status — the standard of living and the political power.

Nussbaum first describes the microelectronic chip technologies and what they will do. Here, we will denote them as computation-communication-data base (or C2DB, as a technologist would put it). For each major society, he analyzes its three structural characteristics and then traces the modifications a society will undergo when subjected to the worldwide effects of the new C2DB technology. The major societies addressed are the North Atlantic Basin, the Soviet Union, the Third World, Japan, and the United States.

The first two major societies Nussbaum analyzes are Germany and the Soviet Union. Specifically, he finds that Germany is matched to heavy industry and has a rigid mind-set that will not easily adapt to the fast pace of the C2DB technologies. Nussbaum feels the coming West German generation is anti-technology and has a mystical bent. He argues that it will bring about the reunification of the two Germanys as a quid pro quo for meeting the Soviet Union's requirements for West Germany's heavy-industry exports; a shift into the Soviet sphere will be a derivative effect. The Soviets need such exports because of the potential complete collapse of the Soviet civilian-sector economy.

Discussions of the other societies are equally astute and original. Since the C2DB revolution was invented in the United States and since the Japanese are such fierce warriors in the C2DB marketplace, a major portion of the book is devoted to each society and its respective behavior patterns. Nussbaum feels that the C2DB revolution and accompanying commercial wars will clearly shift the world's major wealth and power to the Pacific Rim countries.

This is a landmark work in scope, an attempt to write a "Decline and Fall" of the first industrial empire. The author is the foreign news editor of Business Week. As such, this is the book of a journalist and not an academician; the book is extremely accessible to the concerned citizen.

Arnold Goldburg is a consultant and member of the Interstate 101 Compact Commission; he has contributed extensively to the technical literature in the aerospace and petroleum sciences. He wrote this review for The Los Angeles Times.

BEST SELLERS

The New York Times

This list is based on reports from more than 1,400 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

FICTION

This Week		Last Week	Weeks on List
1	THE RETURN OF THE JEDI, adapted by Joan D. Vinge	1	2
2	THE LITTLE DRUMMER GIRL, by John le Carre	2	14
3	CHRISTINE, by Stephen King	3	11
4	HEARTBURN, by Nora Ephron	4	8
5	WHITE GOLD WIELDER, by Stephen R. Donaldson	5	11
6	THE SUMMER OF KATYA, by Trevanian	6	6
7	ANCIENT EVENINGS, by Norman Mailer	7	9
8	ASCENT INTO HELL, by Andrew M. Greeley	10	3
9	VOICE OF THE HEART, by Barbara Taylor Bradford	8	12
10	THE LONESOME GODS, by Louis L'Amour	11	12
11	BANKER, by Dick Francis	9	12
12	THE VALLEY OF HORSES, by Jean M. Auel	13	42
13	ICEBREAKER, by John Gardner	12	10
14	BATTLEFIELD EARTH, by L. Ron Hubbard	—	1
15	THE WARLORD, by Malcolm Bosse	—	1

NONFICTION

This Week		Last Week	Weeks on List
1	IN SEARCH OF EXCELLENCE, by Thomas J. Peters and Robert J. Waterman Jr.	1	23
2	MEGATRENDS, by John Naisbitt	3	32
3	THE ONE MINUTE MANAGER, by Kenneth Blanchard and Spencer Johnson	2	38
4	CREATING WEALTH, by Robert G. Allen	5	4
5	JANE FONDA'S WORK-OUT BOOK, by Jane Fonda	4	74
6	THE LOVE YOU MAKE, by Peter Brown and Steven Gaines	7	8
7	BLUE HIGHWAYS, by William Least Heat Moon	6	18
8	HOW TO LIVE TO BE 100 — OR MORE, by George Burns	11	3
9	WORKING OUT, by Charles Hix	8	9
10	THE DIET CENTER PROGRAM, by Sybil Ferguson	9	7
11	THE LAST LION, by William Manchester	10	4
12	DR. ABRAVANEL'S BODY TYPE DIET AND LIFETIME NUTRITION PLAN, by Elliot D. Abravanel and Elizabeth A. King	12	5
13	THE YOUNGEST SCIENCE, by Lewis Thomas	14	14
14	HOW TO SATISFY A WOMAN EVERY TIME, by Nora Hayden	15	2
15	MEN ARE JUST DESSERTS, by Sonya Friedman	—	1

BRIDGE

By Alan Truscott

WHEN the diagramed hand occurred, many years ago, North and South had a part-score of 30, so three hearts was sufficient for game. North's two-heart opening was described as "intermediate," although today that word would suggest a stronger hand.

When a club was led, South played low from dummy and then did well by dropping his queen under the king. When the defense shifted to diamonds, he ducked once, won the second round and took a club finesse. Since West held the jack, declarer was now able to discard his remaining diamond.

South now thought he had to guess how to finesse in hearts. He led to the queen, the correct theoretical play, and thought he had guessed wrong. But since the jack came tumbling down later, he made his contact and scored game.

Notice that he could have been subjected to temptation. If West had underled his spade ace after winning the heart king, East would have been able to lead a trump. But South would surely have spurned the finesse, on the assumption that the defenders would not go out of their way to give him a finesse opportunity if the finesse was due to win.

NORTH
♠Q10743
♥2
♦J82
♣A1054

WEST
♠A852
♥KJ
♦Q93
♣J972

EAST
♠KJ6
♥643
♦K1065
♣K83

SOUTH (D)
♠9
♥AQ109875
♦A74
♣Q6

North and South were vulnerable with a part-score of 30. The bidding:

South	West	North	East
1♥	Pass	2♠	Pass
3♥	Pass	Pass	Pass

West led the club two.

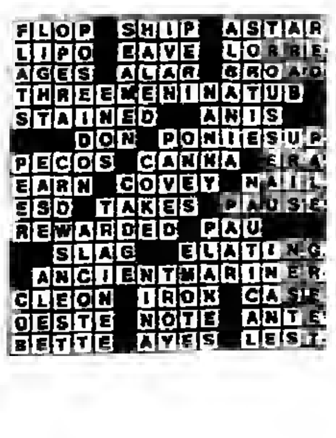
Other Markets

Closing prices in local currencies. June 21

Amsterdam — Frankfurt — Johannesburg — Brussels — Hong Kong — London — Milan — Paris — Stockholm — Zurich — Singapore — Tokyo — Sydney

[illegible]

Solution to Previous Puzzle



Canadian Inflation Drops

The Associated Press

OTTAWA — The annual inflation rate plunged to 5.4 percent in May, the lowest in more than a decade, Statistics Canada said Tuesday. The rate, which measures the change in consumer prices from a year earlier, is the lowest since December 1972, when it was 5.1 percent, and continues a year-long unbroken deceleration of inflation.

Canadian Indexes

June 21

	Close	Previous
Montreal	424.23	426.54
Toronto	2,402.20	2,419.30

Montreal: Stock Exchange Industrials index.
Toronto: TSE 300 index.

Canadian Stock Markets

June 20

Prices in Canadian cents unless marked $.

Toronto — Montreal

[illegible]

SPORTS

Martina Navratilova: 'I just about did everything right.'

New Chinaglia Crosses an Old Frontier

International Herald Tribune

LONDON — What happens when a public figure — a sportsman whose fame and fortune run close to the publicity he generates — reaches the high summer of his time?

Well, if he's wise and still wealthy and a man able to digest the promotional ropes of Warner

ROB HUGHES

Communications, he simply *buys* a future. Giorgio Chinaglia is doing better than that.

The goal-scoring king of the New York Cosmos is risking big stakes (his and other people's) to purchase a new identity, a new fantasy. He is taking over his former club, Lazio of Rome; rather, on behalf of a syndicate of New York Italians, he is installing himself as Lazio's president and maybe again as its center-forward.

Smart guy that he is, Chinaglia has not yet finished with U.S.-style glory, either. He "bopped in" a brace of goals for the Cosmos against Hamburg last weekend, although the European champions were probably a mite disinterested or disoriented on AstroTurf, to judge from their 7-2 surrender to the Warner outfit.

Still, it keeps the old boy's hand in, keeps Chinaglia on the goal trail which, at 36, he feels might come in useful, "for a time, anyway," when Lazio resumes first-division action in Italy next fall.

Many speculative roads lead to Rome. The city's second club, Roma, has just won the Italian championship for the first time in 41 years. But Roma's celebration is shot through with uncertainty.

It still has to entice Roberto Falcao and his agent to return from Brazil, and if its avowed intent to sign a second Brazilian, Toninho Cerezo, has any chance, it rests on the high court challenge Roma says it will mount against the Italian FA's sudden autocratic ban on more foreign players.

Although it's easy to talk about Brazilians when the blockade is on, Chinaglia also speaks about purchasing a Brazilian, the adventurous fullback Junior. But the player Chinaglia talks about best is Chinaglia. That's been the careerlong case — from Carrara, near Florence, to Swansea in Wales, to Massesse and Naples and Rome and New York.

When he became a U.S. citizen in 1976, you'd have thought Italy had had its fill. Not so. The media there never forgot his way with words. Most weekdays the lines buzz between Rome and the white mansion in New Jersey that Chinaglia, his U.S. wife Connie and their three bambinos call home.

He'll tell the press anything. About cellars full of the best Burgundy, Bordeaux and Piedmont, a driveway crammed with Porches and Ferraris, the politics of the Cosmos and his influence there, the goals he's scored and will score.

"Pele and Franz [Beckenbauer]," he once said of the two famous Cosmos whose skills overshadowed his, "are like blank pages. All they ever say is everything fine, everything good. Me? I tell the papers good stories."

Sometimes even true ones. Chinaglia had precisely the style the United States could cope with — uncomplicated, macho and dedicated to putting the ball in the net. He also became an opportunist off the field.

He's come a long way from the teenager who cried when his father Mario, a waiter and later a restaurant owner who settled in Wales when Giorgio was 9, sold him to Massesse for $26,000.

"Twice in one week," Chinaglia senior once told me, "I put Giorgio on the plane to Italy. Twice he come back home."

The boy, now a man, took a plane recently to Rome, where he was mobbed by welcoming crowds in streets from which — legend or fact — he is said to have been smuggled out in 1976, when Warner's $750,000 check and a private plane whisked Lazio's goalscorer away to lure New York Italians pining for soccer.

At the core of Chinaglia's deification is the fact that he delivered. He scored a priceless 25 times when, a decade ago, Lazio won its only national championship.

Since then the club has fallen on hard, indeed corrupt, times. An implication in the 1980 bribery scandal dumped it and A.C. Milan into Divison Two, from which they are now promoted in tandem. The time is ripe for Chinaglia.

His first task is to keep the new heroes, center-forward Bruno Giordano and central defender Lionello Manfredonia, both amnestied from bans after the match-fixing furor and both coveted by rival clubs.

The Associated Press

Giorgio Chinaglia: 'Me? I tell the papers good stories.'

Chinaglia intends not only to keep them, but sees himself sharing the scoring with Giordano. The latter is another who attracts headlines. Front pages have recently zeroed in on Giordano's 21-year-old sister Silvia, who, with a friend, allegedly used a toy pistol to persuade teenage girls to part with money and jewelry.

Complicated business, Italian soccer. But as Chinaglia has always said: "In Italy there are 52 millions and they care only about soccer." Somehow you sense he will cope in high office.

Navratilova, Evert Advance; Austin Out

United Press International

WIMBLEDON, England — Top-seeded Martina Navratilova devastated South African Beverly Mould, 6-1, 6-0, in a first-round

WIMBLEDON TENNIS

match Tuesday at the Wimbledon tennis championships.

Mould won the match's opening game, but that was it. "I just about did everything right out there," said Navratilova after a 32-minute encounter in which she lost only 17 points. "I am moving well, serving well, returning well and volleying well. I have never been as aggressive and as quick as I am right now."

Meanwhile, fourth-seeded American Tracy Austin, a semifinalist in 1979 and 1980, withdrew from the competition with a pulled muscle in her right shoulder. Austin suffered the injury during practice nine days ago, but played at Eastbourne last week, reachin the quarterfinals before defaulting.

"I haven't hit a ball in three days since last week," she said. "I had 30 minutes' practice today, but I still had a jabbing pain when I hit the backhand."

No. 2 seed Chris Evert Lloyd dispatched fellow American Alycia Moulton, 6-2, 6-1, while third-seeded Andrea Jaeger defeated Susan Rimes, 6-1, 7-6 in another all-U.S. encounter.

The first upset in the women's competition came when unranked Christine Jolissaint of Switzerlanbd downed No. 6 seed Bettina Bunge of West Germany, 3-6, 7-6, 11-9. Bunge is ranked seventh in the world.

Sylvia Hanika, Bunge's ninth-seeded compatriot, cleared the first round with a 6-3, 6-2 victory over American Beverley Bowes, while Hana Mandlikova, the No. 8 seed from Czechoslovakia, was pressed by Britain's Rina Einy before winning 7-5, 6-3.

Romanian Virginia Ruzici and Briton Jo Durie, seeded 12th and 13th respectively, both advanced. Ruzici outgunned Caterine Lindqvist of Sweden, 6-0, 6-2, while Durie defeated Yvona Brzakova of Czechoslovakia, 6-4, 6-2.

In men's play, Johan Kriek, the No. 11 downed fellow American Sammy Giammalva, 6-4, 6-3, 6-2.

Australian Mark Edmondson, a semifinalist last year but unseeded this time, got his serve-and-volley game together for a 6-3, 6-4, 7-6 victory over two-time quarterfinalist Vijay Amritraj of India.

Czechoslovak Ivan Lendl, the No. 3 seed, wore down South African Bernie Mitton, 7-6, 6-1, 6-0, in one hour and 37 minutes.

MEN'S SINGLES
First Round

Chip Hooper, U.S., def. Per Hjertquist, Sweden, 6-2, 6-4, 6-4; Matt Doyle, Ireland, def. Libor Pimek, Czechoslovakia, 6-2, 6-1, 6-1; Cassio Motta, Brazil, def. Raul Ramirez, Mexico, 7-6, 6-1, 2-6, 3-2 retired; Joao Soares, Brazil, def. Eric Fromm, U.S., 6-4, 6-3, 6-4; Tony Giammalva, U.S. def. J. Turpin, U.S., 6-1, 7-6, 3-6, 7-6; Vic Amaya, U.S., def. R. Kleege, U.S., 6-4, 6-3, 6-4; Craig Miller, Australia, def. John Lloyd, Britain, 1-6, 7-6, 6-2, 3-6, 6-1; Mel Purcell, U.S., def. Tim Wilkison, U.S., 6-2, 4-6, 6-2, 6-1; Loic Courteau, France, def. Mangus Tideman, Sweden, 7-5, 6-4, 7-5; Andrew Jarrett, Britain, def. Bruce Foxworth, U.S., 4-6, 6-2, 7-5, 6-1; Pat Cash, Australia, def. Joao Goes, Brazil, 6-0, 6-2, 6-3.

Tim Gullikson, U.S., def. Tom Cain, U.S., 6-1, 3-0 (ret.); Brad Gilbert, U.S., def. Russell Simpson, New Zealand, 4-6, 6-2, 6-2, 6-3; Mike Leach, U.S., def. Richard Lewis, Britain, 7-6, 2-6, 7-6, 6-4; Mike dePalmer, U.S., def. Wayne Hampson, Australia, 7-6, 6-3, 5-7, 6-4; Chris Lewis, New Zealand, def. Steve Denton, 9, U.S., 6-4, 4-6, 7-6, 4-6, 6-2; Andreas Maurer, West Germany, def. Mike Brunnberg, U.S., 3-6, 6-1, 6-4, 5-7, 6-4; Eric Korita, U.S., vs. Paul McNamee, Australia, 1-6, 6-3, 4-6, 7-6; Sandy Mayer, U.S., def. Scott Davis, U.S., 6-2, 6-4, 6-2; Fritz Buehning, U.S., def. Craig Wittus, U.S., 6-4, 6-4, 3-6, 6-4; Peter Elter, West Germany, def. Michiel Schapers, Holland, 6-2, 6-2, 6-4. Johan Kriek, 11, U.S., def. Sammy Giammalva, U.S., 6-4, 6-3, 6-2.

Roscoe Tanner, U.S., def. Jan Gunnarsson, Sween, 6-4, 6-3, 6-2; Mark Edmondson, Australia, def. Vijay Amritraj, India, 6-3, 6-4, 7-6; Wojtek Fibak, Poland, def. Buster Mottram, Britain, 4-6, 6-4, 7-6, 6-2; Drew Gitlin, U.S., def. John Sadri, U.S., 7-5, 6-7, 6-1, 7-6; Trevor Fancutt, Australia, def. Chris Bradnam, Britain, 6-4, 6-4, 7-6; Nick Saviano, U.S., def. Jonathan Smith, Britain, 7-5, 6-3, 6-2; Paul McNamee, Australia, def. Eric Korita, U.S., 6-1, 3-6, 6-4, 6-7, 9-7; Trey Waltke, U.S., def. Stan Smith, U.S., 6-4, 3-6, 2-6, 6-2, 2-0 (ret.).

Tom Gullikson, U.S., def. Sashi Menon, India, 6-2, 6-1, 6-2; Ivan Lendl, 3, Czechoslovakia, def. Bernie Mitton, South Africa, 7-6, 6-1, 6-0; John Alexander, Australia, def. Thomas Hogstedt, Sweden, 6-7, 6-3, 6-1, 7-6; Vitas Gerulaitis, 8, U.S., def. Ramesh Krishnan, India, 5-7, 7-5, 7-6, 5-7, 6-2; Gianni Ocleppo, Italy, def. Morris Strode, U.S., 6-4, 3-6, 6-2, 3-6, 6-3; Stefan Simonsson, Sweden, def. Pat DuPre, U.S., 6-3, 7-6, 6-4; Henri Leconte, France, def. Danie Visser, South Africa, 6-3, 4-6, 6-2; Tian Viljoen, South Africa, def. Rod Frawley, Australia, 7-6, 2-6, 7-6, 5-7, 9-7.

WOMEN'S SINGLES
First Round

Kathy Rinaldi, 15, U.S., def. Katerina Skronska, Czechoslovakia, 4-6, 6-1, 6-4; Barbara Potter, 11, U.S., def. Pat Medrano, Brazil, 7-5, 6-1; Camille Benjamin, U.S., def. Lucia Romanov, Romania, 6-2, 7-6; Sabina Simmonds, Italy, def. Joan Heoner, U.S., 6-0, 6-1; Claudia Pasquale, Switzerland, def. Debbie Freeman, Australia, 6-2, 6-3; Sylvia Hanika, 9, West Germany, def. Beverley Bowes, U.S., 6-3, 6-2; Mima Jausovec, Yugoslavia, def. Annabel Croft, Britain, 6-1, 6-2; Martina Navratilova, 1, U.S., def. Beverley Mould, South Africa, 6-1, 6-0; Wendy White, U.S. def. Julie Salmon, Britain, 7-6, 6-4; Elise Burgin, U.S., def. Claudia Monteiro, Brazil, 6-2, 6-4.

Ann Minter, Australia, def. Barbara Bramblett, U.S., 7-5, 6-2; Marcella Mesker, Holland, def. Anne Hobbs, Britain, 6-3, 7-5; Rosalyn Fairbank, South Africa, def. Kim Schaefer, U.S., 6-7, 6-2, 6-0; Nancy Yeargin, U.S., def. Debbie Jarrett, 6-1, 6-1; Christiane Jolissaint, Switzerland, def. Bettina Bunge, 6, West Germany, 3-6, 7-6, 11-9; Virginia Ruzici, 12, Romania, def. Catarine Lindqvist, Sweden, 6-0, 6-2; Jo Durie, 13, Britain, def. Yvona Brzakova, Czechoslovakia, 6-4, 6-2; Ann Henricksson, U.S., def. Elizabeth Ekblom, Sween, 6-4, 5-7, 6-3; Anne White, U.S., def. Etsuko Inoue, Japan, 6-1, 6-3; Kate Latham, U.S. def. Pam Teeguarden, U.S., 6-7, 7-6, 7-5; Kim Sands, U.S., def. Lele Forood, U.S., 7-6, 6-4; Yvonne Vermaak, South Africa, def. Linda Gomer, Britain, 4-6, 6-3, 6-2; Hana Mandlikova, 8, Czechoslovakia, def. Rina Einy, Britain, 7-5, 6-3; Claudia Kohde, 16, West Germany, def. Helena Sukova, Czechoslovakia, 6-3, 7-6.

Amanda Brown, Britain, def. Lisa Spain, U.S., 6-4, 6-2; Sherry Acker, U.S., def. Cathy Tanvier, France, 6-4, 6-2; Leslie Allen, U.S., def. Kate Brasher, Britain, 6-2, 6-1; Pam Shriver, 5, U.S., def. P. Fendick, U.S., 6-2, 6-2; Manuela Maleeva, Bulgaria, def. Sue Barker, Britain, 6-3, 6-2; Zina Garrison, U.S., def. Amy Holton, U.S., 7-6, 7-5; Eva Pfaff, West Germany, def. Brenda Remilton, Australia, 7-5, 6-2; Tima Mochizuki, U.S., def. Cathy Drury, Britain, 7-6, 4-6, 6-1; Andrea Jaeger, 3, U.S., def. Susan Rimes, U.S., 6-1, 7-6; Wendy Turnbull, 7, Australia, def. Dianne Fromholtz, Australia, 6-1, 6-1; Andrea Temesvari, 14, Hungary, def. Vicky Nelson, U.S., 6-0, 6-1; Petra Delhees, Switzerland, def. Lea Antonopolis, U.S., 6-4, 6-2; Lisa Bonder, U.S., def. Cornelia Dries, West Germany, 6-3, 7-5.

Chris Evert-Lloyd, 2, U.S., def. Alycia Moulton, U.S., 6-2, 6-1; Carling Bassett, Canada, def. JoAnne Russell, U.S., 6-3, 7-5; Iva Budarova, Czechoslovakia, def. Renata Tomanova-Roth, Czechoslovakia, 6-1, 6-3; Betsy Nagelsen, U.S., def. Jenny Klitch, U.S., 6-4, 6-7, 6-3; Sharon Walsh, U.S., def. Candy Reynolds, U.S., 6-4, 6-4; Barbara Hallquist, U.S., def. Miriam Schropp, West Germany, 6-3, 6-3; Barbara Jordan, U.S., def. Chris O'Neil, Australia, 6-3, 6-3; Pam Casale, U.S., def. Elizabeth Minter, Australia, 5-7, 7-5, 6-3; Andrea Leand, U.S., def. Paula Smith, U.S., 6-1, 6-3; Patricia Hy, Hong Kong, def. Anne Kiyomura, U.S., 6-1, 7-6.

Watson: Sweet 17 Suddenly Gone Sour

By Ken Denlinger
Washington Post Service

OAKMONT, Pennsylvania — On the 17th green Monday morning, leaning on his putter, Tom Watson could sense history slipping away. Like last year on No. 17 at Pebble Beach, he'd needed a miracle with his sand wedge to win the U.S. Open. Monday's shot stopped about four feet short of the cup.

But suddenly the overcast skies brought a ray of hope. From a hole away, 500 yards as a Titleist flies, came a burst of agony. Watson cocked his ear. Surely, Larry Nelson had made bogey. He had.

Now Watson need only to make par — to force a playoff, to keep alive his chance of being the first repeat open champion since Ben Hogan 32 years before. Coax in this left-to-right white-knuckler, nail a par at 18 and see if Nelson really can keep his putter under control for another 18 holes.

Who better than Watson to stroke such a putt? Ben Crenshaw, perhaps. Had Watson somehow been able to contact Crenshaw, he would have learned of the demons at Oakmont's 17th.

They yield birdies, but they also take perverse delight in spoiling par at the most important times.

In the near-darkness of the second round, the world's best putter had lined up a three-footer for the par he needed to safely make the cut. Crenshaw missed.

The world's second-best putter lost the open at 17 Monday. From the fairway, assuming he needed one birdie to tie Nelson, Watson had tried to hit the perfect 9-iron — and dumped it into a greenside trap. The night before, Watson figured he could afford one mistake in his final last four holes-plus and still win.

He was exactly right. That missed par putt was his second mistake.

AP

Tom Watson
Wrong shot, wrong time.

There was to be a third. From the 18th fairway, after a gargantuan drive, Watson overhit a 6-iron, the ball finally coming to rest under a blanket 60-odd feet behind the cup.

"It was closer to the hole in the scorer's tent than the hole on the green," said Watson. "The wrong shot at the wrong time. That hurts."

The chip from hardpan to a green that sloped downhill really was the 1,000-to-1 shot Jack Nicklaus called the wondrous winner at No. 17 a year ago.

No feathery finesse was possible here, the lie being too tight. So fast was the ball rolling that it would have had to hit the flag dead straight to plop in. Any other angle and it still would have run a dozen feet by.

Naturally, Watson holed the 50-foot comebacker. He gestured: *Why now?* — arms spread, a tight grin. A stroke of luck a stroke or two too late.

"It's been almost a pleasure," he kidded the crowd during the awards presentation.

Watson may have lost, but his reputation hardly was tarnished. His 3-under 281 would have won 75 of the previous 82 U.S. Opens. And it would have put him in a playoff four other times.

What he did was fall a shot shy of one of those good, obscure players the golfing gods reward for years of grit by allowing to win the open. Meet the Sam Parks of the '80s, the latest Hubert Green, David Graham and Andy North.

Most of Nelson's record-low 132 shots over the final two rounds were not struck under open pressure, for he made the cut by only three strokes.

But who's quibbling? He made just one bad swing after realizing on the 15th tee that he was tied for the lead. Watson made three.

We'll have to dwell awhile on what Nelson did to fully appreciate it. Most players who shoot 65 to leap into contention after three rounds rocket to 83 in the fourth.

Remember: Nobody in the history of the open ever came closer than four shots of what Nelson accomplished the final 36 holes. And he's only the 13th player ever to win the open and the PGA.

Watson had no excuses. He does not especially like Oakmont, but he had the chances he needed on the final holes. He had a makeable birdie putt at 16. He had a putt he nearly always makes for par at 17.

Which brings to mind Doug Sanders. In the clubhouse before leaving for his final practice shots, Watson had recalled Sanders's unique touch on the green — with his shoe.

"He could kick the ball into the cup more regularly than some guys could putt it," said Watson, relaxed and laughing. "Once there was about the distance between here and that locker" — about six feet — "to the hole. There were three balls at his feet.

"He swiped two of them dead in the center. He said he'd put the other one in the right lip," Watson shook his head in astonishment. "And he did." Maybe Watson should have punted at 17.

Pitcher Rozema Shines in Tigers' 4-1 Victory

United Press International

DETROIT — Dave Rozema, whose injured knee last year prevented Detroit from being a serious contender in the American League East, allowed only two hits over 7⅓ innings and Kirk Gibson drove in two runs to lead the Tigers to a 4-1 victory over Milwaukee here Monday night.

Rozema, 5-0 this year and unbeaten in seven decisions since August 1981, retired 22 of the 24

BASEBALL ROUNDUP

batters he faced and struck out a career high-seven before tiring asking to be removed. Aurelio Lopez finished up for his 11th save.

Last year Rozema was off to an excellent start before injuring his left knee during a fight May 14 in a game against Minnesota. He underwent surgery to repair torn cartilage and ligaments and was lost for the season.

In Monday's first inning, Chuck Porter (0-3) gave up consecutive singles to Lou Whitaker — who extended his hitting streak to 16 games — and Enos Cabell; Gibson's fielder's-choice grounder scored Cabell. With two out in the second, Rick Leach walked and Tom Brookens was safe on an error before Whitaker and Cabell delivered singles that made it 3-0. Gibson hit his sixth home run of the season in the fifth.

Red Sox 6, Indians 3

In Boston, Jim Rice hit a two-run homer and Tony Armas added one with the bases empty to pace a 12-hit attack that carried the Red Sox past Cleveland, 6-3.

Blue Jays 2, Twins 1

In Toronto, Lloyd Moseby singled off pitcher Ron Davis's bare hand with two out in the ninth to drive in Ernie Whitt with the run that made the Blue Jays 2-1 victors over Minnesota.

White Sox 7, Mariners 3

In Chicago, rookie Greg Walker's three-run homer in the fifth broke a 3-3 tie and the White Sox went on to a 7-3 victory over Seattle.

A's 7, Royals 2

In Kansas City, Missouri, Jeff Burroughs batted in three runs with a single and his fifth home run of 1983 to support the six-hit pitching of Bill Krueger as Oakland downed the Royals, 7-2.

Angels 10, Rangers 9

In Arlington, Texas, Doug DeCinces's double down the left-field line with two out in the 13th scored Rick Adams with the run that gave California its 10-9 verdict over Texas.

Expos 5, Phillies 0

In the National League, in Montreal, Andre Dawson drove in three runs with a home run and two singles and Ray Burris (3-2) pitched a three-hitter as the Expos took over first place in the Eastern Division by blanking Philadelphia, 5-0. Loser Steve Carlton (7-8) struck out three, increasing his career total to 3,545, the major leagues' all-time high.

Braves 7, Astros 1

In Houston, Glen Hubbard hit a grand-slam homer and Pete Falcone (5-1) pitched a four-hitter in Atlanta's 7-1 rout of the Astros.

Cardinals 3, Mets 1
Mets 6, Cardinals 4

In New York, a two-run first-inning home run by Keith Hernandez and Mookie Wilson's two-run double in the second powered the Mets to a 6-4 decision over St. Louis and a split of a doubleheader. The Cardinals' Kevin Hagen scattered eight hits over seven innings in the 3-1 opener. Bruce Sutter picked up his sixth save.

Pirates 5, Cubs 4
Pirates 6, Cubs 5

In Pittsburgh, Marvell Wynne's line single to center with one out in the 13th scored Dale Berra from third base and completed the Pirates' doubleheader sweep of Chicago, 6-5. In the 5-4 opener, pinch hitter Richie Hebner homered to lead off the 10th.

Padres 4, Dodgers 1

In Los Angeles, Sixto Lezcano had three straight hits and scored twice to lead the Padres past Los Angeles, 4-1. Ed Whitson (2-4) and John Montefusco combined on a four-hitter. Jerry Reuss (6-6) took the loss.

Giants 4, Reds 3

In San Francisco, Jeff Leonard's two-out single in the 10th scored Darrell Evans to lift the Giants past Cincinnati, 4-3. Greg Minton (2-3) pitched the final inning to gain credit for the victory.

Major League Standings

NATIONAL LEAGUE

EAST	W	L	Pct.	GB
Montreal	33	28	.541	—
St. Louis	33	29	.532	½
Philadelphia	28	30	.483	3½
Chicago	30	34	.469	4½
Pittsburgh	25	36	.410	8
New York	24	39	.381	10
WEST				
Los Angeles	43	22	.662	—
Atlanta	39	27	.591	4½
San Francisco	35	31	.530	8½
San Diego	32	33	.492	11
Houston	33	35	.485	11½
Cincinnati	28	39	.418	16

AMERICAN LEAGUE

EAST	W	L	Pct.	GB
Baltimore	38	27	.585	—
Toronto	36	28	.563	1½
Detroit	36	29	.554	2
New York	34	30	.531	3½
Boston	33	31	.516	4½
Milwaukee	29	34	.460	8
Cleveland	29	36	.446	9
WEST				
California	36	29	.554	—
Kansas City	31	29	.517	2½
Texas	33	31	.516	2½
Oakland	33	33	.500	3½
Chicago	31	33	.484	4½
Minnesota	28	40	.412	9½
Seattle	26	43	.377	12

Monday's Baseball Line Scores

AMERICAN LEAGUE

Milwaukee 001 000 000—1 3 1
Detroit 120 010 00x—4 6 0
Porter and Simmons; Rozema, Lopez (8) and Parrish. W—Rozema, 5-0. L—Porter, 0-3. HR—Detroit, Gibson (6).

Minnesota 000 001 000—1 3 0
Toronto 000 001 001—2 13 0
Viola, Lysander (8), Davis (9) and Smith; Gott and Martinez. W—Gott, 5-5. L—Davis, 2-3. HR—Minnesota, Bush (5). Toronto, Johnson (12).

Cleveland 000 030 000—3 7 0
Boston 031 200 00x—6 12 0
Eichelberger, Reed (3) and Hassey; Eckersley, Stanley (8) and Newman. W—Eckersley, 5-4. L—Eichelberger, 3-5. HRs—Cleveland, Bannister (2). Boston, Armas (13), Rice (16).

Seattle 003 000 000—3 6 1
Chicago 001 230 10x—7 11 0
Beattie, Clark (5) and Sweet; Hoyt and Fisk. W—Hoyt, 8-7. L—Beattie, 4-5. HR—Chicago, Walker (4).

Oakland 201 400 000—7 15 0
Kansas City 002 000 000—2 6 2
Krueger and Heath; Blue, Renko (3), Hood (4), Castro (9) and Wathan. W—Krueger, 6-5. L—Blue, 0-4. HR—Oakland, Burroughs (5).

California 000 100 200 200 1—10 14 3
Texas 100 222 000 200 0— 9 17 3
John, Witt (5), Hassler (8), Sanchez (9), Brown (10), Curtis (10) and Boone; Tanana, Jones (7), Matlack (10) and Johnson, Sundberg (10). W—Curtis, 1-0. L—Matlack, 2-2. HRs—California, R.Clark (2). Texas, Parrish (11).

(New York at Baltimore, rain.)

NATIONAL LEAGUE
First Game

St.Louis 000 300 000—3 5 1
New York 100 000 000—1 11 0
Hagen, Sutter (8) and Porter; Swan, Orosco (8) and Ortiz. W—Hagen, 2-0. L—Swan, 1-3.

Second Game

St.Louis 012 102 000—4 6 1
New York 230 000 10x—6 8 0
Stuper, Martin (2), Bair (7), Von Ohlen (7) and Quirk; Terrell, Diaz (6), Sisk (8), Orosco (9) and Hodges. W—Terrell, 1-0. L—Stuper, 7-4. HRs—St.Louis, Green (1). New York, K.Hernandez (4).

First Game

Chicago 100 212 000 0—4 9 0
Pittsburgh 000 030 100 1—5 12 1
Jenkins, Proly (6), Campbell (7) and Davis; Tunnell, Guante (6), Tekulve (8) and Pena. W—Tekulve, 3-1. L—Campbell, 2-3. HRs—Chicago, Sandberg (5), Cey (6). Pittsburgh, J.Thompson (8), Hebner (1).

Second Game

Chicago 200 000 102 000 0—5 11 2
Pittsburgh 020 120 000 000 1—6 18 0
Lefferts, Brusstar (6), Le.Smith (8), Campbell (12) and Lake; Bibby, Tekulve (7), Robinson (9) and Nicosia, Pena (11). W—Robinson, 1-0. L—Campbell, 2-4. HRs—Chicago, Buckner (8). Pittsburgh, Berra (7), Lacy (2), Morrison (1).

Philadelphia 000 000 000—0 3 0
Montreal 210 010 10x—5 12 0
Carlton, Altamirano (5), Reed (8) and Virgil; Burris and Carter. W—Burris, 3-2. L—Carlton, 7-8. HR—Montreal, Dawson (12).

Atlanta 010 240 000—7 9 0
Houston 100 000 000—1 4 1
Falcone and Benedict; Ruhle, LaCorte (5), Dawley (8) and Pujols. W—Falcone, 5-1. L—Ruhle, 1-3. HR—Atlanta, Hubbard (4).

San Diego 011 002 000—4 10 0
Los Angeles 001 000 000—1 4 2
Whitson, Montefusco (9) and Kennedy; Reuss, Beckwith (7), Zachry (9) and Yeager. W—Whitson, 2-4. L—Reuss, 6-6.

Cincinnati 000 001 110 0—3 13 1
San Francisco 000 100 101 1—4 8 1
Puleo, Scherrer (8), Hayes (9), Power (10) and Trevino; Breining, Barr (7), Minton (10) and May, Brenly (8). W—Minton, 2-3. L—Power, 1-4. HR—San Francisco, Brenly (4).

Transition

BASEBALL
American League

CALIFORNIA—Activated Brian Downing, outfielder, from the disabled list. Placed Juan Beniquez, outfielder, on the 21-day disabled list.

DETROIT—Recalled Marty Castillo, catcher, from Evansville of the American Association.

MILWAUKEE—Recalled Pete Ladd, pitcher, from Vancouver of the Pacific Coast League.

NEW YORK—Placed Rudy May, pitcher, on the 21-day disabled list. Called up Ray Fontenot, pitcher, from Columbus of the International League. Announced retirement of Bobby Murcer, outfielder, who will become a member of the Yankee broadcast team. Recalled Don Mattingly, first baseman-outfielder, from Columbus of the International League.

OAKLAND—Placed Mike Norris, pitcher, on the 21-day disabled list.

National League

CINCINNATI—Reactivated Tom Hume, pitcher. Optioned Keefe Cato, pitcher, to Indianapolis of the American Association.

BASKETBALL
National Basketball Association

NEW YORK—Placed Paul Westphal, guard, on waivers.

PHILADELPHIA—Signed Billy Cunningham, head coach, to a three-year contract.

PORTLAND—Named Rick Adelman assistant coach.

FOOTBALL
National Football League

BUFFALO—Signed Trey Junkin, linebacker, and Richard Thorpe, nose tackle, to a series of one-year contracts.

NEW ORLEANS—Signed Steve Korte and Kelvin Clark, guards, and Cliff Brown, placekicker.

USFL Standings

ATLANTIC	W	L	T	Pct.	PF	PA
Philadelphia	14	2	0	.875	334	173
Boston	10	6	0	.625	349	307
New Jersey	5	11	0	.313	283	389
Washington	2	14	0	.125	248	407
CENTRAL						
Chicago	11	5	0	.688	406	230
Michigan	10	6	0	.625	384	311
Tampa Bay	10	6	0	.625	320	326
Birmingham	8	8	0	.500	304	278
PACIFIC						
Oakland	8	8	0	.500	285	270
Denver	7	9	0	.438	247	257
Los Angeles	7	9	0	.438	254	328
Arizona	4	12	0	.250	240	388

Sunday's Result
Boston 24, Tampa Bay 17

Monday's Results
Philadelphia 12, Oakland 6
Michigan 27, Washington 25

Swimmer Sets 200 Mark

The Associated Press

HANNOVER, West Germany — Michael Gross set a world record in the 200-meter freestyle Tuesday at the national swimming championships here. He clocked 1 minute 48.28 seconds, breaking the mark of 1:48.93 set by American Rowdy Gaines last summer.

PAGES 20 & 4 FOR MORE CLASSIFIEDS

OBSERVER

The Menaceless Gap

By Russell Baker

NEW YORK — As a student of gapology, I was both thrilled and puzzled by the sudden appearance of the gender gap. The thrill was in the news of a new gap yawning before us, fnr it suggested that undiscovered gaps still remained to be explored and that gapology, therefore, was not a closed science, as I had feared.

My fascination with gaps dates from the late 1950s, when Senator John F. Kennedy discovered the terrifying missile gap. Until then gaps had been rustic, pleasant places — places like Dawson's Gap and Cumberland Gap where, in the late afternoon, if yon sat slightly to the east, you could measure the stately march of the seasons according to whether the sun was setting south of the gap or north of the gap.

The missile gap was another matter. Russian missiles were bristling nn one side of it, and endangered Americans were on the nther side without missiles enough to defend themselves. Thus began the era of nminous gaps, which continued tn haunt America long after President Kennedy's gapologists explored the missile gap, said they had erred and announced that it didn't exist.

Gapology suffered a blow three years ago when Ronald Reagan, detecting the same missile situarion Kennedy had mistakenly described 20 years earlier, saw, not a gap, but a window. "The window of vulnerability," he called it.

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Recently, the president's fenestrologists — scientists who study menacing windows — reconnoitred the window of vulnerability under the leadership of General Brent Scowcroft, and concluded, like President Kennedy's gapologists, that it did not exist.

As a gapologist, I enjoyed seeing the upstart science of fenestrology embarrassed. Still, things were distressingly quiet on the gap front until suddenly the gender gap appeared.

My excitement quickly changed in puzzlement. For the first time in 25 years, here was a gap that contained no discernible menace at all. Even the famous generation gap of the late 1960s had been fraught with menacing overtones fnr the American future, what with hordes of adolescents threatening never to become more than 30 years old.

The gender gap offered not even a tiny mouse of terror. Do you know what the gender gap is? More and more, men and women tend to divide according to their sex when politics comes up. That's it, folks.

I contend that this is not a gap at all, but just another natural political phennmenon such as you get when one group's interests conflicts with another's. Whites vote different from blacks and Texans different from Brooklynites. We don't dignify these humdrum facts of political life by announcing the existence of a "color gap" or a "region gap." Why "gender gap," then?

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The answer takes us into the curious American vice of dignifying the inconsequential with fancy talk. In its most degraded form, this vice can be seen in the constant use of words like "rhetoric" or "dialogue" to describe the talk of politicians.

Nnt so long ago, before the American language had the life squeezed out of it by people who wanted tn sound like doctors of philosophy, the talk of politicians was accurately described as "hot air," "gas baggery," "political wind," "baloney" and "saber-rattling."

Now we call baloney "dialogue" and saber-rattling "rhetoric." This creates the illusinn that our destinies are no longer controlled by gas bags emitting hot air. The term "gender gap" constitutes a similar inflation nf the linguistic currency, when all that's meant is that politicians have to worry about the women's vote.

Like the much-abused "rhetoric," the word "gender" hasn't been heard much until recently outside the classrooms nf language teachers, for whom it is a highly arbitrary technical term defining a property of nouns.

There is, to be sure, a real gender gap in the Western world. It is exemplified by the fact that the word for "ship" is feminine in Italian, masculine in French, neuter in German, either feminine or masculine in Spanish, and in English either neuter or feminine. If you think this is not serious, try referring to a navy man's ship as "he."

New York Times Service

When More Ends Up Being Less

A New Book Takes the Burgundian Wine Trade to Task

By Frank J. Prial
New York Times Service

IT happens like this: A Paris waiter looks around, then whispers conspiratorially in your ear, "Try this Burgundy; it's actually a declassified Gevrey-Chambertin from my brother-in-law's vineyard." The bottle is brought and opened. You sip, smile and exchange winks with the clever waiter. How wonderful tn find a bargain in good Burgundy. Well, maybe. The declassification racket is under tighter control now than it was a few years ago, but it persists.

By law, a French winemaker can produce only so much wine from a given acre of vines. This is meant to prevent uncontrolled — and unconscionable — overproduction. Before 1974, overproduction could be sold under lesser names in the same wine commune. If a man had vines in the famous Chambertin vineyard and made more than his quota of wine, some of his overproduction could be sold as the lower-quality Gevrey-Ghambertin and the rest as plain red Burgundy. This was called the "cascade" phenomenon.

The idea was to stop overproduction, but it didn't work. Much of the excess went ont nf France and immediately had the original name tacked back on. After all, reasoned the Dutch and Belgian and British importers, it came from the same vats, didn't it?

The answer was yes, unfortunately, because the law was almost as weak as the wine. Decreeing that a man could produce only so mucb Chambertin was one thing; saying he could produce only legitimate Chambertin was something else. Under the revised law, a producer can make only so much wine from his vines, as before, but, if be goes over, everything he has made must be labeled as cheap table wine. It's like overdrawing in blackjack.

This is an improvement, but there is still plenty of room fnr fraud. A grower who overcrops can simply dump his excess production and still get permission tn bottle the rest under the appellation name — even in years when the wine is weak from too much rain or acidic from too little sun.

A lack nf sugar is easily made up. Adding sugar during fermentation is called chaptalization, after Chaptal, the chemist and statesman who served Napoleon, and it is widely practiced in Burgundy. So is the addition of high-alcohol wines from the warm south of France or Italy. The result is nften a big, rich, full-flavored wine that bears little resemblance to a true Burgundy.

The addition of these wines, called "bonesetter wines" by the French writer Pierre-Marie Doutrelant, is just one of the ways in whicb Burgundian producers doctnr their wares. Some pasteurize their wines, nthers vinify quickly for fast turnover — there is a wide range of legal and illegal practices that cynical winemakers can employ to take advantage of the tremendous worldwide demand for Burgundy.

Most of these practices are widely recognized in the wine trade and at least suspected by some outsiders who write about wine or just buy it. Now, a courageous Englishman who has worked in the Burgundian trade has written a book that spells out what goes on, both good and bad. Anthony Hanson's "Burgundy" (published in Britain by Faber & Faber) is not for romantic wine lovers. He shatters many a myth, not even hesitating to include the august Domaine de la Romanée-Conti among those he thinks oversugar their wines. "Do they honestly call these things fine wines?" he asks.

> Hanson saves his deepest scorn for winemakers who dose their thin, over-cropped wines with heavy southern wine.

He is not alone in his feeling about Burgundy. Several American specialists have been complaining abont poor quality from the Burgundian vineyards for a decade. Peter Sichel, a Bordeaux wine merchant and one of the most respected commentators writing in English, recently called the amount of wine produced in Burgundy in 1982 shocking.

There are responsible growers, Sichel acknowledges, "but far too much of the crop is diluted, light *primeur*-type wines which can have little pretension of properly representing the prestiginus — and expensive — names they bear."

"Although the Service for the Repression of Fraud had been created in 1905," Hanson writes, "merchants were nnt effectively controlled until after 1919, and even in 1925 one could buy a wine in Beaune called Beaune — but it might have come from anywhere."

After noting that even the prominent house of Louis Latour regularly pasteurizes its better red wines, Hanson quotes the late P. Morton Shand, a British wine writer, who said many years ago that, though pasteurizing stabilizes low-strength wines in difficult years, "it, of course, arrests the possibility of any further improvement. As a living organism, the wine has been killed outright; what is left is the mummy of a wine, stone dead but artificially preserved."

Pasteurization is not illegal, and is used both in Burgundy and some of the most revered cellars of Bordeaux to "fix" wines in poor years, such as 1968. Blending in heavy wines from the Midi or Corsica or Italy is illegal but, according to Hanson, widespread.

The introduction of the first tentative legal controls in Burgundy early in the century decreed that the pinot noir was the only permissible grape in true Burgundy wine. True, but nnt entirely. The nine "commune" Beaujolais, such as Brouilly, Fleurie and Morgon, all made from the only legal Beaujnlais grape, the gamay, can be purchased by the Burgundy shippers and used as simple bourgogne rouge — red Burgundy.

Even so, the pinot noir is the legal grape of Burgundy. But which pinnt noir? There are bundreds of varieties. Low-yield varieties make the best wine, but, Hanson says, since the vineyards were replanted following the phylloxera louse scourge of the 1870s, the growers have consistently opted for the high-yield vines. Only in the last few years, he says, has it been possible tn convince growers to switch tn lower-yield grapes, and then mostly because the new clones are disease-resistant. Disease-free vines, even if low-yield, will produce more grapes than a high-yield vineyard that has been devastated by gray rot.

Hanson saves his deepest scorn for winemakers who dose their thin, overcropped wines with cheap, heavy wine from the south. Nnt only are they cheating, he says, but they have distorted the image of real Burgundy. Consumers, he says, have come tn believe that the beavy, doctored wines are what Burgundy should be.

"That oversugared Mediterraneanized blends should continue to carry the great names nf Charmes Chambertin, Musigny, Clos de Vougeot, Corton-Bressandes, etc., fetching $20, $30, $40 a bottle is," he says, "well, a disgrace to every Burgundian. Twenty years ago there were perhaps excuses for it; now, with the spread of wine-making skills, and given Burgundy's new prosperity, I can see none."

Hanson's indictment is a harsh one. But there is a ray or two of hope in his book. The entire second half is a list of most of the important winemakers and shippers in Burgundy. Among those he singles out with praise are the Marquis d'Angerville in Volnay; Henri Gouges in Nuits-Saint-Georges; Hubert de Montille in the Côte de Beanne; the Domaine de la Pousse d'Or, also in Volnay; the Domaine Dujac io Morey-Saint-Denis; and the house of Josepb Drouhin, among the Beaume shippers.

PEOPLE

Israeli Editor Honored

Gershom Schocken, 70, editor and publisher of the Israel's oldest daily newspaper, Ha'aretz, has been named international editor of the year by the World Press Review, an independent monthly digest of world press opinion, based in New York. The magazine hailed Ha'aretz's forthright reporting of the Israeli invasion of Lebanon and the massacre at the Palestinian refugee camps of Sabra and Chatila. The German-born Schocken has been editor and publisher of Ha'aretz since 1939.

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Herbert von Karajan has left a hospital in Hannover, West Germany, after surgery for a slipped disc, and is at his villa in southern France. His surgeon, **Madjid Samii**, said the Berlin Philharmonic conductor could return to work withont restrictions. Karajan is to conduct the Richard Strauss opera "Der Rosenkavalier" at the opening of the Salzburg Festival.

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Britain's last two hangmen disagree over the wisdom of restoring capital punishment. **Harry Allen**, the last man to hold the title of public hangman, said murderers should be killed. His predecessor, **Albert Pierrepoint**, called all executions barbaric. The argument came in the Sunday News of the World amid speculation that the House of Commons may vote to restore the death penalty if a bill for it is introduced in the session opening Tuesday. Hanging was abolished by Parliament in 1969.

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Princess Margaret of Britain and ber former busband, **Lord Snowdon**, got together at the Victoria and Albert Museum for their first public meeting since their divorce in 1978. The occasion was an exhibition of drawings, designs and models by **Oliver Messel**, a theater and interior designer, who was Snowdon's uncle. Watched by their children, **Viscount Linley**, 21, and **Lady Sarah Armstrong-Jones**, 19, Snowdon kissed the princess on the cheek. The Daily Mail reported that it was Snowdon's idea to ask his former wife, who knew Messel, to open the exhibition.

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Colonel Tom Parker, who was **Elvis Presley's** manager, is more than $2 million richer and the singer's estate will get $1.1 million in the next decade from an out-of-court settlement with RCA. The record company agreed to pay Parker $1 million for his collection of Presley's master recordings. The rest was for film rights, videotaped concerts and Parker's interest in other Presley-related contracts and materials. In a complex agreement approved by Probate Court Judge **Joseph Evans** in Memphis, Tennessee, the estate agreed to drop a 1982 suit against Parker, Parker agreed not to pursue his countersuit against the estate and RCA dropped its suit against the estate seeking a declaratory judgment on its Presley contracts.

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Ana-Maria Vera, 18, a Bolivian pianist who was born and raised in Washington, where her father was cultural attaché at the Bolivian Embassy, is to be appointed cultural attaché in Paris — but her mother says Dad will be doing most of the work. Vera made her concert debut with the U.S. Air Force Symphony and has played with major orchestras in Europe and the United States. Her mother said Vera, who is pictured on a Bolivian postage stamp, will continue her musical studies and pursue her career in Paris while her father performs the embassy duties.

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The American filmmaker **Francis Ford Coppola** and the Japanese producer **Mata Yamamoto** have announced that they will jointly produce a film on the life and work of the controversial writer and political activist **Yukio Mishima**. "This unique man who made his life his art appeals to many of my friends and associates in the United States," Coppola said. Mishima committed ceremonial suicide, hara kiri, in 1970 after leading an abortive raid on a Tokyo military base as part of a goal of returning Japan to prewar militarism under the sovereignty of the emperor. Coppola will be executive producer of the film, which will be shot in Japan entirely in Japanese. It is scheduled for completion at the end of 1984. The director will be **Paul Schrader**. Meanwhile, Orion Pictures Corp. announced that Coppola would direct a film called "The Cotton Club," about the Harlem nightclub, starring **Richard Gere** and **Gregory Hines**.